

## PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1511. By Mr. DRIVER: Petition of Lake View Local Union, No. 659, of the Farmers' Educational and Cooperative Union of America, in support of the Capper bill; to the Committee on Agriculture.

1512. By Mr. FULLER: Petition of W. A. Medaris, manager of the Thrift Press, Rockford, Ill., favoring reduced rates on railroads for commercial travelers; to the Committee on Interstate and Foreign Commerce.

1513. Also, petition of Local Union No. 1087, United Brotherhood of Carpenters and Joiners, of Marseilles, Ill., opposing the Scott bill (H. R. 3716); to the Committee on the Merchant Marine and Fisheries.

1514. By Mr. KINDRED: Petition of Association of Importers and Distributors of Chinese and Japanese Floor Coverings, of New York, in regard to the tariff; to the Committee on Ways and Means.

1515. Also, petition of American Chemical Society, opposing the Volstead "antibeer" bill; to the Committee on the Judiciary.

1516. Also, petition of Merchants' Association of New York, indorsing House bill 6420; also petition of Organization of Americans of Ukrainian Ancestry, relative to East Galicia; to the Committee on Foreign Affairs.

1517. By Mr. KISSEL: Petition of 108 New York City residents, urging the passage of House joint resolution 18; to the Committee on the Judiciary.

1518. Also, petition of 90 residents of the third New York congressional district, urging the recognition of the Irish republic; to the Committee on Foreign Affairs.

1519. Also, petition of John Kelly, of Brooklyn, N. Y., urging the recognition of the Irish republic; to the Committee on Foreign Affairs.

1520. By Mr. TINKHAM: Petition of Elizabeth O'Hara and 29 others of the eleventh congressional district of Massachusetts, urging recognition of the Irish republic; to the Committee on Foreign Affairs.

1521. Also, resolutions adopted at parish meeting of St. John's Church, Roxbury, Mass., urging an international conference to discuss disarmament; to the Committee on Foreign Affairs.

1522. By Mr. GOLDSBOROUGH: Petition of congregation of Shrewsbury Church, Kennedyville, Kent County, Md., praying for protection to be given the Armenian people; to the Committee on Foreign Affairs.

1523. By Mr. RADCLIFFE: Petition of citizens of Paterson, N. J., relative to the recognition of the Irish republic; to the Committee on Foreign Affairs.

1524. By Mr. SANDERS of New York: Petition of the members and congregation of the Christian Church of Lakeville, N. Y., urging the reduction of armaments; to the Committee on Naval Affairs.

1525. Also, petition of the churches of Castile, N. Y., in a union meeting urging the calling of a conference of all leading nations of the world to confer on the subject of disarmaments; to the Committee on Foreign Affairs.

## SENATE.

THURSDAY, June 23, 1921.

(Legislative day of Tuesday, June 21, 1921.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

## AVIATION AND ORDNANCE EXPERIMENTS BY ARMY AND NAVY.

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Navy, which was read and ordered to lie on the table, as follows:

THE SECRETARY OF THE NAVY,  
Washington, D. C., June 21, 1921.

The VICE PRESIDENT,  
United States Senate, Washington, D. C.

MY DEAR MR. VICE PRESIDENT: There was considerable trouble in the obtaining of the names of Senators who desired to witness the various gunfire tests off the Virginia capes June 21 and 22, 1921. The Navy Department sent several invitations to the Senate, and on various occasions sent a representative of the department to the Senate Office Building to solicit the names of Senators who desired to witness the first exercises. It is noted that no Senators expressed a desire to witness the first exercise, and it is thought that this is perhaps due to the fact that not all of the Senators were cognizant of this invitation and the various other details of the trip. It is therefore respectfully requested that you bring to the attention of all the Senators that the U. S. S. *Henderson* will sail from the navy yard, Washington, at daylight June 27 for the scene of exercise No. 2, returning to Washington

some time in the afternoon of June 29. This second exercise is the one in which the planes search for and bomb the ex-battleship *Iowa*. Owing to the limited accommodations aboard the U. S. S. *Henderson*, it is impracticable to invite more than 10 Senators to occupy staterooms. There is, however, almost unlimited capacity in the standee bunks, and should more than the allotted 10 Senators apply they should be informed in advance that any in excess of 10 will be assigned standee bunks along with the officers of the Army and Navy.

It is especially requested that the list of Senators be submitted to the department not later than noon Friday, June 24, to room 3409, New Navy Building.

Sincerely, yours,

EDWIN DENBY.

## SEASONAL COAL RATES.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1806) to further amend the interstate commerce act, as amended, to provide for seasonal rates for the transportation of coal.

The VICE PRESIDENT. The Senator from New Jersey [Mr. FRELINGHUYSEN] is entitled to the floor.

Mr. FRELINGHUYSEN. Mr. President—

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll. The reading clerk called the roll, and the following Senators answered to their names:

Capper	Hedlin	Oddie	Walsh, Mass.
Caraway	Jones, N. Mex.	Ransdell	Watson, Ga.
Curtis	Jones, Wash.	Sheppard	Watson, Ind.
Dial	Kendrick	Simmons	Williams
Dillingham	La Follette	Smith	Willis
Fletcher	McNary	Smoot	Wolcott
Frelinghuysen	Moses	Sterling	
Glass	Nelson	Trammell	
Harris	Nicholson	Wadsworth	

Mr. MOSES. I wish to announce the absence of my colleague [Mr. KEYES] on official business. I ask that the announcement may stand for the day.

Mr. HEFLIN. I wish to announce the absence of the Senator from Nebraska [Mr. NORRIS] and the junior Senator from Idaho [Mr. GOODING], who are in attendance at a hearing before the Committee on Agriculture and Forestry.

Mr. CURTIS. I was requested to announce the absence of the Senator from Indiana [Mr. NEW], the Senator from Pennsylvania [Mr. KNOX], the Senator from California [Mr. JOHNSON], and the Senator from Louisiana [Mr. BROUSSARD], who are holding a hearing before the Committee on Territories and Insular Possessions.

Mr. CAPPER. I wish to announce that the junior Senator from Mississippi [Mr. HARRISON] is absent in attendance at a hearing before the Joint Agricultural Commission.

The VICE PRESIDENT. Thirty-three Senators having answered to their names, there is not a quorum present. The Secretary will call the roll of absentees.

The reading clerk called the names of the absent Senators, and Mr. McKELLAR, Mr. PENROSE, Mr. PHIPPS, Mr. SUTHERLAND, Mr. SWANSON, and Mr. WALSH of Montana answered to their names when called.

Mr. FERNALD and Mr. HALE entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty-one Senators having answered to their names, a quorum is not present.

Mr. CURTIS. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The VICE PRESIDENT. The question is on the motion of the Senator from Kansas.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will carry out the order of the Senate.

Mr. POINDEXTER, Mr. KELLOGG, Mr. UNDERWOOD, Mr. KING, Mr. ELKINS, Mr. SHIELDS, Mr. SHORTRIDGE, Mr. BURSUM, Mr. WARREN, Mr. OVERMAN, Mr. POMERENE, Mr. GERRY, Mr. ERNST, Mr. CAMERON, Mr. GOODING, Mr. CULBERSON, Mr. KNOX, Mr. NEW, Mr. SPENCER, Mr. TOWNSEND, Mr. HARRISON, Mr. BROUSSARD, Mr. JOHNSON, Mr. HARRELD, and Mr. BALL entered the Chamber and answered to their names.

The VICE PRESIDENT. Sixty-six Senators having answered to their names, a quorum is present.

Mr. FRELINGHUYSEN. A number of Senators have routine business to present, and I yield for that purpose.

## PETITIONS AND MEMORIALS.

Mr. SHEPPARD presented a petition of the American Home Economics Association, praying for the enactment of legislation providing for the protection of maternity and infancy, which was ordered to lie on the table.

Mr. PENROSE. Mr. President, I present a memorandum from the Ukrainian League of South Philadelphia, Pa., in relation to the case of East Galicia, favoring the recognition by the United States of East Galicia (along with northern Bukovina) as an independent State—the West Ukrainian Republic,

and so forth, which I ask be referred to the Committee on Foreign Relations.

The VICE PRESIDENT. The memorandum will be so referred.

Mr. CAPPER presented two petitions of sundry citizens of Kansas City, Kans., praying for the recognition of the republic of Ireland by the United States, which were referred to the Committee on Foreign Relations.

#### REPORTS OF COMMITTEES.

Mr. SMOOT, from the Committee on Public Lands and Surveys, to which was referred the bill (H. R. 2422) for the relief of settlers and entrymen on Baca Float No. 3, in the State of Arizona, reported it without amendment, and submitted a report (No. 146) thereon.

He also, from the same committee, to which were referred the following bills reported them each with an amendment, and submitted reports thereon:

A bill (H. R. 2421) granting certain public lands to the city of Phoenix, Ariz., for municipal purposes (Rept. No. 147); and

A bill (H. R. 5622) providing for the appraisal and sale of the Vashon Island Military Reservation in the State of Washington, and for other purposes (Rept. No. 148).

Mr. BALL, from the Committee on the District of Columbia, to which was referred the bill (S. 985) to amend the provisions of an act relating to certain railway corporations owning or operating street railways in the District of Columbia, approved June 5, 1900, reported it with an amendment and submitted a report (No. 149) thereon.

Mr. TRAMMELL, from the Committee on Claims, to which was referred the bill (S. 1032) for the relief of Maj. Francis M. Maddox, United States Army, reported it without amendment, and submitted a report (No. 150) thereon.

Mr. NEW, from the Committee on Claims, to which was referred the bill (S. 496) for the relief of George A. Robertson, reported it with an amendment, and submitted a report (No. 151) thereon.

He also, from the same committee, to which was referred the bill (S. 1434) for the relief of the Fidelity & Deposit Co., of Maryland, Baltimore, Md., reported it without amendment, and submitted a report (No. 152) thereon.

Mr. FERNALD, from the Committee on Public Buildings and Grounds, to which was referred the bill (S. 1905) providing for the relief of certain contractors and subcontractors for the post offices and other buildings and work under the supervision of the Treasury Department, and for other purposes, reported it with an amendment and submitted a report (No. 153) thereon.

He also, from the same committee, to which was referred the joint resolution (H. J. Res. 112) authorizing the erection on public grounds in the city of Washington, D. C., of a memorial to employees of the United States Department of Agriculture who died in the war with Germany, reported it without amendment.

Mr. JONES of Washington, from the Committee on the District of Columbia, to which was referred the bill (S. 1312) to amend the charter of the Potomac Insurance Co. of the District of Columbia, reported it without amendment and submitted a report (No. 154) thereon.

Mr. CALDER, from the Committee on Commerce, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

A bill (H. R. 6652) to extend the time for the construction of a bridge across the Arkansas River, in Muskogee County, Okla. (Rept. No. 155); and

A bill (H. R. 6653) to extend the time for the construction of a bridge across the Arkansas River at a point near Webbers Falls, in Muskogee County, Okla. (Rept. No. 156).

Mr. SPENCER, from the Committee on Claims, to which was referred the bill (S. 1063) for the relief of the owners of the schooner *Charlotte W. Miller*, reported it without amendment and submitted a report (No. 157) thereon.

Mr. JONES of Washington, from the Committee on Commerce, to which was referred the bill (S. 1771) to authorize the United States, through the United States Shipping Board, to acquire a site on Hazzell Island, St. Thomas, Virgin Islands, for a fuel and fuel-oil station and fresh-water reservoir for Shipping Board and other merchant vessels, as well as United States naval vessels, and for other purposes, reported it without amendment and submitted a report (No. 158) thereon.

He also, from the same committee, to which were referred the following bills and joint resolution, reported them severally with an amendment, and submitted reports thereon:

A bill (S. 2069) to authorize the construction of a dam across the Wabash River, at Huntington, Ind. (Rept. No. 159);

A bill (H. R. 4976) granting the consent of Congress to the Trumbull Steel Co., its successors and assigns, to construct,

maintain, and operate a dam across the Mahoning River, in the State of Ohio (Rept. No. 160); and

A joint resolution (S. J. Res. 63) granting consent of Congress to the States of New York and New Jersey to enter into the agreement for the establishment of "the port of New York authority" (Rept. No. 161).

#### BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SHEPPARD:

A bill (S. 2133) ceding jurisdiction to the State of Texas over certain lands or bancos acquired by the United States of America from the United States of Mexico; to the Committee on Foreign Relations.

By Mr. PENROSE:

A bill (S. 2134) to amend an act entitled "An act making appropriations for the naval service for the fiscal year ending June 30, 1917, and for other purposes," approved August 29, 1916; to the Committee on Naval Affairs.

A bill (S. 2136) granting a pension to Agnes Gibbons; to the Committee on Pensions.

By Mr. WALSH of Montana:

A bill (S. 2137) providing that the act approved December 17, 1919, entitled "An act to provide for the payment of six months' pay to the widow, children, or other designated dependent relatives of any officer or enlisted man of the Regular Army whose death results from wounds or disease not the result of his own misconduct," shall be executed and administered as though it had been passed and approved October 6, 1917; to the Committee on Military Affairs.

By Mr. TRAMMELL:

A bill (S. 2138) providing that the Government property, known as the St. Francis Barracks, at St. Augustine, Fla., be donated to the State of Florida for military purposes; to the Committee on Military Affairs.

By Mr. SHORTRIDGE:

A bill (S. 2139) granting an increase of pension to Giles Otis Pearce; to the Committee on Pensions.

By Mr. ASHURST:

A bill (S. 2140) to authorize the Secretary of the Interior to issue patent in fee simple to the University of Arizona, State of Arizona, of Tucson, Ariz., for a certain described tract of land; to the Committee on Public Lands and Surveys.

By Mr. JONES of Washington:

A bill (S. 2141) for the relief of Charles W. Mock; to the Committee on Claims.

A bill (S. 2142) granting a pension to Elizabeth Gates Perry; to the Committee on Pensions.

By Mr. BURSUM:

A bill (S. 2143) to establish one or more fish-cultural stations in the State of New Mexico; to the Committee on Commerce.

A bill (S. 2144) for the relief of Melquiades Sanchez; to the Committee on Military Affairs.

#### REFUNDING OF FOREIGN LOANS.

Mr. PENROSE. Mr. President, I ask unanimous consent to introduce and have referred to the Committee on Finance a very important measure, which is entitled a bill to enable the refunding of obligations of foreign Governments owing to the United States of America, and for other purposes.

The bill (S. 2135) to enable the refunding of obligations of foreign Governments owing to the United States of America, and for other purposes, was read twice by its title and referred to the Committee on Finance.

Mr. WALSH of Massachusetts. Mr. President, I should like to suggest to the Senator from Pennsylvania, if the bill which he has just introduced providing for the refunding of foreign loans is a short bill, it ought to be printed in the Record, as I think the subject is of very great interest.

Mr. PENROSE. I think the suggestion of the Senator from Massachusetts a very excellent one, and I ask that the bill may be printed in the Record.

There being no objection, the bill was ordered to be printed in the Record, as follows:

*Be it enacted, etc.*, That the Secretary of the Treasury, with the approval of the President, is hereby authorized from time to time to refund or convert, and to extend the time of payment of the principal or the interest, or both, of any obligation of any foreign Government now owing to the United States of America, or any obligation of any foreign Government hereafter received by the United States of America (including obligations held by the United States Grain Corporation), arising out of the European war, into bonds or other obligations of such, or of any other, foreign Government, and from time to time to receive bonds and obligations of any foreign Government in substitution for those now or hereafter held by the United States of America, in such form and of such terms, conditions, date or dates of maturity, and rate or rates of interest, and with such security, if any, as shall be deemed for the best interests of the United States of America, and



to adjust and settle any and all claims not now represented by bonds or obligations which the United States of America now has or hereafter may have against any foreign Government and to accept securities therefor.

Mr. PENROSE. Mr. President, I desire also at this time to state to the Senator from Massachusetts that the purpose on the part of the Committee on Finance is immediately to hold hearings for the Treasury officials.

#### CHANGES OF REFERENCE.

Mr. SMOOT. On the calendar day of June 22 the bill (H. R. 1475) providing for a grant of land to the State of Washington for a biological station and general research purposes was referred to the Committee on Public Lands and Surveys. I ask that the committee be discharged from the further consideration of the bill and that it be referred to the Committee on Military Affairs, as it is for a military reservation.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. TOWNSEND. I ask unanimous consent for the discharge of the Committee on Post Offices and Post Roads from the consideration of Senate joint resolution 80 and that that measure be referred to the Committee on Appropriations. That committee has once considered it, and I think that is the proper place for the joint resolution to go.

Mr. McKELLAR. Mr. President, what bill is that?

Mr. TOWNSEND. It is a joint resolution proposing to appropriate \$5,000 to send delegates to the Pan American Postal Convention at Buenos Aires.

The PRESIDING OFFICER (Mr. NORRIS in the chair). The Senator from Michigan asks unanimous consent that Senate joint resolution 80 be taken from the Committee on Post Offices and Post Roads and referred to the Committee on Appropriations. Is there objection? The Chair hears none, and it is so ordered.

#### AMENDMENTS TO SEASONAL COAL RATE BILL.

Mr. LA FOLLETTE submitted six amendments intended to be proposed by him to the bill (S. 1806) to further amend the interstate commerce act as amended to provide for seasonal rates for the transportation of coal, which were ordered to lie on the table and to be printed.

Mr. KING submitted two amendments intended to be proposed by him to the bill (S. 1806) to further amend the interstate commerce act as amended to provide for seasonal rates for the transportation of coal, which were ordered to lie on the table and to be printed.

Mr. STANLEY submitted an amendment intended to be proposed by him to the bill (S. 1806) to further amend the interstate commerce act, as amended, to provide for seasonal rates for the transportation of coal, which was ordered to lie on the table and to be printed.

#### SHIPPING IN THE SOUTHEAST.

Mr. DIAL. Mr. President, I present and desire to have printed in the RECORD a short article from the Charleston News and Courier in regard to shipping in the Southeast.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

"FARM MACHINERY TO PASS THROUGH PORT—TRAINLOAD ON WAY HERE—GOODS CONSIST OF TRACTORS AND FARM IMPLEMENTS FOR THE ARGENTINE REPUBLIC.

"What is probably the first special train to be operated from any western railway and with freight consigned out of this port for a foreign destination is now rolling over the Southern Railway and South freight consigned to the Carolina Co.

"The train which left Chicago Thursday night consists of 42 cars of machinery, tractors, and farm implements manufactured in the States of Wisconsin, Illinois, and Indiana, and is destined to Buenos Aires, Argentine Republic.

"The route of the train is by way of the Chicago, Indianapolis & Louisville Railroad, known as the Monon Route, to Louisville and the Southern Railway to this city. It is expected to reach here Wednesday, and the work of unloading the machinery will be commenced at once.

"The Shipping Board steamer *St. Johns County* will arrive in port to-morrow or Tuesday, to transport the supplies to the South American port.

"The securing of this business for the port of Charleston is the result of an extensive program of solicitation which the officials of the Carolina Co. have been engaged in for some time. Mr. J. A. Von Dohlen, traffic manager of the shipping company, made a trip to Chicago several weeks ago, and conferred with the traffic managers of some of the largest exporting firms in that city and surrounding country, apprising them of the schedule of sailings of ships of the Carolina Co. These 42 cars of machinery and farm implements are only the initial step, as other shipments are expected from time to time.

"Mr. Von Dohlen states that quite a few of the traffic managers with whom he talked at the time of his trip evidenced

a great deal of interest in the port of Charleston and the efforts which his company is making to build up the foreign trade of the port. Since then a great many inquiries have been received by him from some of these men, and at an early date the local concern expects to be handling a quantity of export goods which are now moving through other ports.

"Mr. Von Dohlen expects to leave to-morrow afternoon for New York City to confer with officials of one of the largest exporting concerns in the Nation's metropolis, as the latter have made inquiry as to the sailings of ships of the Carolina Co., and if the proper arrangements can be made between the two companies another important announcement will be forthcoming in the next few days, it is said."

#### INTERSTATE HIGHWAY SYSTEM.

Mr. TOWNSEND. Mr. President, several days ago I reported from the Committee on Post Offices and Post Roads Senate bill 1355, which is known as the interstate highway bill. The bill and report are on the desk of every Senator. The Senate will remember that in the last session of Congress I stated, with what was apparently the approval of all Senators, that I should endeavor to get enacted into law early in the coming session a bill providing for the continuation of Federal aid for the construction of roads. It is very important that such action should be taken. I can not well overmagnify the importance of this fact.

I desire now to give notice that at the very earliest opportunity I shall call up for the consideration of the Senate the bill which the Committee on Post Offices and Post Roads has reported on this subject. I trust that every Senator understands the importance of the passage of the measure now. Unless we can get action soon, we are going very greatly to interfere with the various Federal road projects which are now under way and which may be taken up and ought to be taken up in the very early future. I repeat, that I give notice now that at the very earliest opportunity, at the conclusion of the consideration of the pending bill, if possible, I shall ask for the consideration by the Senate of the interstate highway bill.

Mr. McKELLAR. Mr. President, I desire to make a very brief statement, occupying about a minute, in reference to the road bill. In view of the statement made by the Senator from Michigan in reference to the interstate road bill, known as the Townsend road bill, reported by a majority of the committee, I think it is but fair to say that there is very great difference of opinion in the committee as to the proposed legislation. The minority have filed their views in opposition to the report of the majority of the committee, and they will insist at the proper time that, instead of the Townsend bill being passed, which the minority thinks in substance and effect an automobile road bill, the present road law be amended. By the time the matter comes up for consideration I trust that all Senators will have read not only the minority report but that they will have examined the bill which has been reported by a committee of the House known as the Dowell bill, and which I have had printed and will offer as a substitute for the Townsend bill. This Dowell measure has the approval of the highway associations of every State in the Union, has been favorably reported by the Committee on Roads of the House, and no witness examined by our committee was opposed to it. Substantially every witness who was examined before the Senate committee approved that bill.

I merely make this statement in view of the statement made by the Senator from Michigan. Whenever the question comes up on the floor there is going to be a very sharp controversy in reference to a change in Federal aid to the road system which we have already adopted.

It is really a fight between the automobile associations on the one side and the farmers and other general users of roads on the other. There is no general demand, except from the automobile associations, for a repeal of the present law and the substitution of the Townsend bill.

Mr. WALSH of Montana. Mr. President, I should like to inquire of the Senator if the amendment recommended by the minority conforms in substance to the Dowell bill?

Mr. McKELLAR. The recommendations by the minority conform in substance to the Dowell bill.

Mr. WALSH of Montana. So that really the controversy is between the so-called Townsend bill on the one hand and the Dowell bill on the other.

Mr. McKELLAR. That is the controversy. The amendments which are suggested by the Dowell bill, I think, everyone agrees should become the law. I think there is no opposition to these amendments to the original road law on the part of anybody. The passage of the Townsend bill would be a great blow to the cause of good roads in this country. The House committee having favorably reported the Dowell bill, it seems to me we ought not take any action on the Townsend bill until

the House acts on the Dowell bill. If that bill is passed by the House, then it might well be supposed that the Senate will accept it.

#### SEASONAL COAL RATES.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1806) to further amend the interstate commerce act, as amended, to provide for seasonal rates for the transportation of coal.

Mr. FRELINGHUYSEN. Mr. President, yesterday I had occasion to address the Senate on the general intent of the proposed legislation affecting the coal industry, reported by the Committee on Interstate Commerce. I showed that the committee had approached its task animated by no spirit of passion or malevolence, and with no desire for sensation or notoriety. I said that we regarded the deplorable conditions of last year as a lesson in the need for constructive action, not as an offense for which the coal industry should be for all time pilloried. I showed how the public—ignorant of even the elemental facts about the supply and requirements of coal—offered a fertile soil in which to sow the seeds of panic and misunderstanding. I showed how the bituminous-coal industry—divided among itself, and recognizing no common leadership—is incapable of uniting behind any constructive policy. I showed how the responsible element in the coal trade, which prefers to do business conservatively, can not answer for the irresponsible element; that when, in 1920, the test came, the efforts of the conservatives availed nothing to keep the profiteers within bounds. The situation, I pointed out, is one that calls for leadership. The consumers of coal need a leader to whom they may turn for information and counsel. The forward-looking men among the producers and distributors need a leader about whom they may gather in working for the progress of their industry.

It is my thought, Mr. President, that both of these ends can be accomplished by naming some one officer to represent the United States Government on coal. I believe that by harmonious cooperation between Government, public, and industry the business of mining and marketing coal can be brought to give satisfactory service to our people. I believe this can be attained without the slightest sacrifice of that traditional freedom of action of the American business man, which freedom of action I hold as dear as any man in this Chamber. I know that there are many individuals in the coal trade who agree with this view, who are willing to meet the Government half way. I honor them. But to those who are bent on opposing all legislation, in whatever spirit drafted, I utter this solemn warning: "Gentlemen, if you do not convince the public now that you recognize your stewardship in the development of the great natural resource which the people of the United States have intrusted to you, the mutterings of discontent will grow into an irresistible demand for drastic regulation which will sweep everything before it."

Both of the coal bills offered by the Committee on Interstate Commerce are constructive in character, and neither may be described as regulation. I ask your attention this morning to Senate bill 1806, providing for seasonal freight rates.

#### SEASONAL COAL FREIGHT RATES.

The bill aims to overcome the present seasonal irregularity in the production and transportation of coal by encouraging the purchase of coal in spring and summer for storage against fall and winter. Specifically, the bill clothes the Interstate Commerce Commission with authority to initiate or to readjust seasonal coal rates. The bill has the general approval of the Interstate Commerce Commission. The commission doubts its authority to promulgate seasonal rates without a specific grant of power from Congress to that end. The bill leaves the widest discretion to the commission in the application of the principle of seasonal rates. The rates may be promulgated to affect the carriers as a whole or to affect differently individual coal fields or rate groups. The commission is, however, instructed so to adjust the seasonal differentials that the carriers will receive the same annual revenue as if no seasonal variations were provided. The commission is further empowered by the bill, in the event of an emergency affecting the transportation of coal, to suspend existing rates without a formal hearing and to initiate seasonal rates in lieu thereof.

In advocating the passage of this bill I shall endeavor to show (1) the nature and extent of the seasonal variation in coal production; (2) that seasonal coal rates are the only practical means to overcome the seasonal irregularity in production and transportation; (3) that the promulgation of seasonal coal rates is needed (a) to assist the coal-mining industry, (b) to relieve the transportation system of the country, and (c) to protect the public against shortages of coal by encouraging storage. Finally, it is my purpose to show that (4) immediate action is necessary on this bill, because the pro-

duction of coal during the present season has been dangerously delayed. Something must be done at once to stimulate the movement from mine to consumer in order to build up a reserve above ground adequate for future needs.

The argument for seasonal coal rates lies not in theories but in certain mathematical facts. Those facts speak for themselves. To present them in the simplest manner I have reduced them to the charts which hang on the wall. The same charts and some others are reproduced in miniature in the blue-covered booklet which has been distributed. Senators so placed that they can not see the wall charts may follow the argument from the booklet.

#### THE PROBLEM OF SEASONAL VARIATION IN COAL PRODUCTION.

What are these variations in output which seasonal rates are designed to overcome?

Of all the facts about coal which have forced themselves upon our attention in the past six years, none is more striking than the extraordinary irregularity of the operation of the bituminous-coal industry. We have learned that while the anthracite mines and the anthracite-carrying roads operate fairly steadily, the bituminous mines are idle a large part of the time. We have learned that the production of bituminous coal and in consequence the load upon the railroads fluctuate violently. We find that there are three types of fluctuation at work. In the first place, there are great variations in annual production from one year to the next. Let me illustrate by pointing to the last of the wall charts [wall chart No. 8]. This chart, by the way, is reproduced on page 16 of the blue booklet.

Through the center of that chart zigzags a heavy black line. That represents the production of soft coal in each year from 1890 to 1920. Suppose we pick up the line at the year 1913. In that year, with business active, we produced 478,000,000 tons of bituminous coal. The next year, 1914, production fell back to 423,000,000 tons, a drop of 55,000,000 tons. Thereafter it rose sharply, reaching in 1918 the maximum of 579,000,000 tons. The year afterwards it fell off more than a hundred million tons, the total for 1919 being only 458,000,000 tons. In 1920 it rose again to 556,000,000 tons. This year it is plunging in the other direction. In the first five months of 1921 we have been producing at the rate of only 320,000,000 tons a year.

Now, I do not pretend that these annual changes in output would be overcome by seasonal freight rates. Some of these tremendous peaks and valleys mean an unstabilized market, with coal piling up in storage one year, and flowing dangerously out of storage the next year. Concerning that phase of the problem I shall have more to say in discussing Senate bill 1807, entitled "An act to be known as the coal industry stabilization act." Clearly, however, these annual fluctuations are primarily due to changes in the general tone of business, reflected in the quantity of coal consumed. Such annual changes are beyond the influence of seasonal coal rates to modify. They deserve no further attention at this point.

So much for the annual fluctuations. Look now, if you please, at a second type of irregular operation seen in the next to the last of the wall charts [wall chart No. 7]. This chart illustrates daily fluctuations in output. The first of the orange columns represents the output on Monday, the second on Tuesday, and so on. The diagram shows that in a typical week car supply is favorable on Monday, and grows less and less satisfactory as the week progresses. Concerning this type of fluctuation, too, I shall have more to say in the discussion of Senate bill 1807, which directs the Secretary of Commerce to cooperate with the Interstate Commerce Commission in promoting the proper distribution of coal cars. I do not pretend, however, that these daily irregularities, any more than the annual irregularities, can be overcome by seasonal rates on coal.

The third type of fluctuations in coal output is the one with which this bill is concerned. It can be seen clearly in the largest of the wall charts [wall chart No. 1]. The same curve will be found in diagram 1 of the booklet of charts. In that chart the heavy black line shows for each month the daily rate of soft coal production. It begins with 1913 and runs to May, 1921. Before going to that chart, however, I wish to point out certain features on the chart nearest the clock.

From 1913 to 1919 you will observe that the capacity of the mines in this country, indicated by the green line, increased by about 150,000,000 tons, until to-day the present capacity with the men employed is nearly 800,000,000 tons, provided they were employed a full number of days during the year. The number of men had increased from 200,000 in 1890 to nearly 620,000 in 1919, while the production had increased from 115,000,000 tons in 1890 to nearly 550,000,000 tons in 1920. It also shows that the price at the mine increased from practically \$1.15 up to \$3.50 in 1920. Those are average prices, not spot prices. They refer to contract coal at the mine, including all sales.



There is one especially significant feature of that chart, and that is the loss of working days in a year. In 1913 it was 76; in 1919 it was 111. It runs almost to an average of 90. I shall later compare that with the working days in the Austrian and English mines, which run much higher than in the mines in the United States, our average being 232 working days, while in the Austrian mines the average is over 300. The mines in the United States lose in economic value by the number of working days lost, caused by seasonal fluctuations, overproduction, overdevelopment, and also strikes. It would seem that something should be done to equalize that value in order that we may gain more efficiency and more production of evening the distribution of coal, thereby keeping the miners at more steady work and employment.

To return to chart 1, suppose we look at the left, where the black line starts. That starting point is the rate in January, 1913. Now let your eye follow the curve in its downward plunge to the low point, or trough, in April. Then see how it turns and rises steeply to a peak in November, falling off again slightly in December. That April low and November high is a typical year's story in bituminous coal mining, and also, by the way, a typical year's story in bituminous coal transportation. This seasonal history of coal production and transportation is repeated year after year. It occurred, you will note, in 1914, in 1915, and in 1916. The very exceptions during the war period are exceptions that prove the rule. The demand during the war years was so extraordinary that consumers had to take their coal in summer or go without, for the overtaxed railroads could not carry it all in the usual seasonal troughs and peaks.

The year 1918 is particularly interesting, because it shows that when all are bent on increasing output it is actually possible to produce more in summer than in winter. Nineteen hundred and eighteen stands for a stabilized year as far as output is concerned. But after the war, even during the troublous conditions of the reconstruction period, the seasonal movement returned to fasten itself upon the soft-coal industry. Note the profound slump in the early part of 1919, and note also the artificial drop created by the strike of November, 1919. Note that the course of production in 1920 also showed this seasonal aspect, and finally note that in the present year the April slump carried production down to the lowest point, except for the two strikes, touched in the whole eight-year period.

To center attention on the seasonal variation as it affects transportation especially I have had the third chart prepared. [Wall chart No. 3, typical transportation demand of the soft-coal industry.] This likewise appears as No. 7 in the booklet. The chart shows what the mines are likely to be called on to produce and the railroads called upon to transport in a typical year. It assumes that the total annual requirement is 528,000,000 tons, an average of 44,000,000 tons a month. The chart is divided into two parts. At the right is a table in which the figures of output are given, expressed in millions of tons. At the left is the same thing in the form of a diagram. The black columns in the diagram represent the tons of coal to be produced and transported in each month of such a typical year, January, February, and so on, indicated underneath the black lines. As indicated by the experience of the past eight years, American consumers would call for about 48,000,000 tons during the month of January, and progressively less to April. In April they would take about 36,000,000 tons, and thereafter more each month up to a maximum in November of 48,000,000 tons. Now, what the seasonal rate bill proposes in effect is that freight rates be so adjusted as to flatten out these black columns to even lengths. What I want to do is to cut off the tops of these columns above the average line and fill in the low months from March to August. That means putting the excess into storage. You will note that the quantity to be stored—that is, the surplus above the average—amounts to about 21,000,000 tons in an ordinary year.

In other words, the January production is 4,000,000 tons above the average. The February production is 2,000,000 tons above, while March, April, May, June, and July are low points of production, the output amounting to 21,000,000 tons. We want to take the 21,000,000 tons off of the autumn and winter months, or the high point of production, and equalize it by increasing the production in the summer months. That is the object of giving the Interstate Commerce Commission the right to adjust these seasonal freight rates—to induce the public to buy their coal in the summer season.

Mr. WILLIS. Mr. President—

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Ohio?

Mr. FRELINGHUYSEN. I yield.

Mr. WILLIS. I understand that the purpose of the Senator, as he has said, is to even off the black lines shown on the chart, and he proposes to do that by giving the Interstate Commerce

Commission authority to grant a lower rate for the transportation of coal in the summer time, so as to increase the production and the storage of coal in that period. Would not that have this effect, then, that those who can store coal, the large consumers—the railroads, for example, and other large industries which have facilities for storing coal—would get the benefit of the lower rates and the larger production, if the Senator's idea is carried out; but the small consumer, who can not store coal, would have the disadvantage of the relatively higher rates in the wintertime? Would it not have that effect?

Mr. FRELINGHUYSEN. Not to any great extent; because the storing of coal would practically be done by the wholesale or retail dealer, and while the increased freight rate would in some measure affect the price, the inducement to buy coal in the summer time would be so great to the man who bought coal in bulk that it would simply mean that the coal was stored by the wholesaler or retailer for distribution to the consumer. It would to some extent increase the price.

Mr. WILLIS. The Senator knows, of course, that it is not practicable to store coal without running the risk of great deterioration, unless it is stored under water. There is nobody except the railroads and other very large consumers in a position to afford such storage. So it seems to me that if the bill works out as the Senator plans it will work out, if it has any effect at all, the only effect will be to give the larger consumer the benefit of the decreased freight rate, but the householder who wants to buy his coal in the wintertime will have the relative disadvantage of the higher freight rate. So the very purpose the Senator has in mind would be defeated.

Mr. FRELINGHUYSEN. I had anticipated that the question of storage would come up. A great deal of misconception has arisen regarding the storage of soft coal. There is very little of the soft coal produced that can not be stored. The answer to the question as to the storage of coal is that during the war we stored 63,000,000 tons, while to-day we have stored probably from thirty to thirty-five million tons. In some sections there is a certain quality of coal that is not stored, but very little. Coal can be stored, and is stored, under modern methods, and the complete answer to the Senator's question is that, by reason of necessity, 15,000,000 tons of anthracite and bituminous, largely bituminous, are stored at the head of the Great Lakes every summer, and in addition to that there are other storage piles all over the country, when people are laying in their coal, at the public utilities stations, in the wholesale coal yards, as well as in the Government yards here in Washington, where the officials, who stored soft coal during the entire period of the war, have made a study of the subject. Modern methods have been applied to prevent deterioration and to take care of the fire risk. But I admit, sir, that a still further study should be carried on by the Government in order to prevent any further loss, and that is one of the objects of the other bill.

Mr. WILLIS. Mr. President, I think the Senator did not understand my question, except in part, because his answer is not quite responsive to the question.

I understand his purpose to be the relief of the home owner, the comparatively small user of coal. My contention is, as I understand the bill, that if seasonal rates are applied, as is proposed under this measure, giving the Interstate Commerce Commission authority to make a different rate in the summer time from that which obtains in the wintertime, then, instead of relieving the householder, the small consumer of coal, the fellow who is going to get the advantage will be the large consumer of coal, who has facilities for storing it, but it will not afford relief to the householder. On the contrary, he will have the disadvantage of the relatively higher rate. What does the Senator say to that?

Mr. SMOOT. Mr. President—

The VICE PRESIDENT. Does the Senator from New Jersey yield to the Senator from Utah?

Mr. FRELINGHUYSEN. I yield.

Mr. SMOOT. A seasonal rate on coal is not a new thing, as far as the West is concerned. I know we have had it in Utah for at least 15 years. I do not know whether it was put into effect this past year or not, but I do know that we have had it for at least 15 years; and I will say to the Senator from Ohio that, as far as the bituminous coal in Utah is concerned, the seasonal rate has been put into effect for the months of July and August, which are the months when coal is stored. The rate is 25 cents a ton less during the months of July and August, and the coal operators themselves give 25 cents a ton to the men who purchase and store it. But, as far as our coal is concerned, the man who purchases the coal at 50 cents less in July or August does not make anything extra upon the purchase of the storage coal, even at the 50-cent reduction, on account of the extra cost and deterioration. In fact, it costs 25 cents a ton less to take coal direct from a car and deliver

it immediately to the purchaser than to unload into a bin or stacking it in a pile. This is at least 25 cents loss. Again, the interest upon the money used by the man who stores the coal must be paid, and is an extra loss, and the shrinkage is at least 5 per cent.

But the advantage of it, and the only reason bituminous coal is stored in Utah, is that when the winter months come it is impossible to get the coal; the railroads can not carry it because of lack of cars, and the miners can not produce it to meet the demand; but the man who buys the coal during the seasonal months has the coal on hand to deliver, and therefore the people of the State can purchase that coal and have it delivered to them in case it is stored; but it would be a physical impossibility to deliver unless it was stored.

Mr. WILLIS. Mr. President, what does the Senator from Utah say in response to the inquiry I propounded to the Senator from New Jersey? Is it not a fact, then, that the people who have the facilities for storing this coal, and who do store it—very largely the railroads and other large consumers—are the ones who get the advantage of that seasonal rate, but the householder, who buys his coal in the wintertime in small quantities, under these seasonal rates has the disadvantage of the relatively higher rates?

Mr. SMOOT. As far as the wholesaler of coal is concerned, if there is not at least 50 cents a ton difference between the price when the coal is sold immediately from the car to the consumer and when it is stored it would never pay the wholesaler to store it. He simply does it because he will have the coal on hand when the great demand for coal takes place. When shortages occur some dealers take advantage of them and charge more for the coal; but there is no necessity for that, and it is seldom resorted to. If there was a dollar or a dollar and a half a ton difference, there would be no question of the correctness of the position of the Senator from Ohio; but as long as there is not more than 50 cents difference, the interest upon the money, the waste in unloading and reloading, and the deterioration of the coal are sufficient to absorb the 50 cents.

Mr. KELLOGG. Mr. President, I do not believe there is any doubt about the power of the Interstate Commerce Commission now. We have had seasonal coal rates. But the commission seems to think there is some doubt about it. We do have seasonal coal rates, but I assume the commission will not grant seasonal rates that will more than make up the expense of storing the coal and getting it during those months.

To-day, or the last time I looked at the quotations within a short time, cash coal in Illinois and Indiana was selling from 50 cents to \$1 a ton cheaper than coal for delivery later in the season. Even that did not cause the mines to be run to capacity. We have a seasonal rate now to the Great Lakes which the commission found absolutely necessary in order to move the coal which must be moved in the summer time, as they can not move it in the wintertime by the Lakes.

Mr. WATSON of Indiana. What is the differential?

Mr. KELLOGG. It is 28 cents a ton. The differential expires, I think, in September of this year.

Mr. NEW. That rate applies only to certain Lake ports.

Mr. KELLOGG. That rate applies to Lake ports taking coal, where it must be hauled exclusively by water and in the summer time, of course.

Mr. WILLIS. Does the Senator give it as his opinion as a lawyer, and I value that opinion very highly, that the Interstate Commerce Commission now has the power sought to be granted in the pending bill?

Mr. KELLOGG. I think they have. The commission do not think so, and that is the reason why we reported the bill. I have a good deal of doubt whether it will accomplish all that it is intended to accomplish, but if there is any way of encouraging the production of coal in the months when it is confessedly very low, so that men may have employment all the time and the railroads may be occupied to their capacity, we ought to try it.

Mr. FRELINGHUYSEN. Mr. President, I wish to answer the Senator from Ohio [Mr. WILLIS] who has propounded two questions. The first question was, will not this work an unnecessary hardship on domestic users of coal in the wintertime? That is a very practical question. Coal is used in a domestic capacity to the extent of less than 100,000,000 tons a year, and the other 400,000,000 tons are used by the railroads and by the public utilities and industries and are reflected in the cost of everything that the people use. But when it comes to a question of domestic coal, or the small consumer, it is a very practical question.

But let me point out, sir, that by reason of the shortage created by this unequal supply and distribution, the prices in the wintertime mount high and advantage is taken of them by the

retailer and the wholesaler by reason of the scarcity caused by the nonstorage of coal and caused by the shortage of transportation facilities.

Transportation facilities in the autumn and winter are overburdened with crops, with building materials, and with coal. To-day there are 150,000 idle coal cars at a time when the railroads can carry coal much more cheaply than in the wintertime. If that coal can be transported to the bins of the retailer or the domestic consumer, it means that he buys the coal at a time when it can be sold at its lowest cost, when it is sold at its lowest cost, transported at its lowest cost, when he can get the advantage of the seasonal freight rates, and when he will be free from the competition caused by the shortage in the wintertime.

Mr. JONES of New Mexico. Mr. President—

Mr. FRELINGHUYSEN. I yield to the Senator from New Mexico.

Mr. JONES of New Mexico. I have before me a chart prepared at the request of the Senator from New Jersey—

Mr. FRELINGHUYSEN. What is the number of it, may I ask?

Mr. JONES of New Mexico. The one at which I am looking just now is No. 15, which relates to the anthracite production. Anthracite, of course, is used almost entirely in domestic consumption, as I understand. From this chart it appears that there is not much seasonal variation in the production of anthracite; that is, the coal used for domestic consumption. I notice in the heading of that chart this statement:

Anthracite production is practically stationary at 90,000,000 net tons per year, except when as in 1917 and 1918 unusual prices for steam coal encouraged more extensive reworking of the culm banks. There is only a slight seasonal decline in output, the number of working days lost is small, and so far as production and transportation are concerned the anthracite industry is stable.

Now, that relates almost entirely to coal for domestic consumption. Of the bituminous coal a very small percentage, relatively, is used in domestic consumption. My recollection is that only about 10 or 12 per cent of the bituminous output finds its way into the home and is used for domestic purposes.

I should like to know to what extent the Senator feels that making a difference in the transportation rates would affect the home consumption of bituminous coal and to what extent it would stabilize that industry? The stabilization of the anthracite industry, I think, has been brought about to some extent by the mine owners making a discrimination in the price of coal with respect to seasons. In my section of the country the mine owners do the same thing with reference to bituminous coal. I can not see that the domestic consumer is going to be benefited very much by the passage of the bill. I think, as stated by the Senator from Ohio [Mr. WILLIS], that only those can be benefited who have an opportunity to make storage of large quantities of coal.

If I recollect correctly, about one-third, roughly speaking, of the bituminous coal is consumed by the railroads themselves. A reduction of freight rates would not materially affect them, taken as a whole, and at any rate the difference in cost of transportation would not be, in my opinion, an inducement to the railroads themselves to store their own coal. If they desire to store, they will do it for some other reason. In the industrial line, so far as my information goes, there is very little preparation for storage. That is a feature which needs to be worked out and encouraged.

Mr. FRELINGHUYSEN. And studied.

Mr. JONES of New Mexico. Yes. I agree that there should be some plan worked out which would induce the large industrial concerns to store coal and equalize the seasonal demand, but I can not see how, under present conditions, the passage of the bill is going to help materially the domestic consumers of the country.

Mr. FRELINGHUYSEN. In reply to the Senator from New Mexico, I think it will greatly assist in the lowering of the cost of anthracite to the domestic consumers. I think that a differential of 25 or 30 cents a ton will induce storage by a great many people who have storage facilities, and everyone in my section of the country is more or less provided with storage facilities for their winter needs and domestic supplies. I think an allowance of 25 cents a ton when the transportation is available will induce the domestic consumers to buy a great deal of anthracite.

While it is true that the distribution of anthracite is more or less stable, or more so than bituminous, it is not entirely so. We produce and use about 90,000,000 net tons of anthracite. About 30 per cent of that is used in industry for steam coal. The other 70 per cent is used by domestic consumers, mostly along the Atlantic coast and the northern seaboard.



But the big question here is one of the uneconomic situation in relation to the railroads and the effect of the heavy burden caused by bituminous tonnage which they are called upon to carry in the wintertime. That is what I seek to relieve. If the industries of the country, which use probably 250,000,000 tons, will take 21,000,000 off of the peak load, it will relieve transportation to a tremendous extent. It will help the railroads, because, looking at chart No. 5, it will be seen that the railroad profits or returns have practically followed the seasonal distribution of coal. It has a marked effect on the railroad situation.

The one big problem that we have to face is that the panic prices, \$25 or \$30 coal, have been caused by a shortage of transportation because the railroads were called upon to carry it when they were pressed for cars from every direction. What I wish is to have the Interstate Commerce Commission offer an inducement to those who have coal-storage facilities, the large industrial buyers, to take that surplus coal off of the winter months and put it on the summer months, and thus relieve the transportation situation.

Mr. JONES of New Mexico. Mr. President—

Mr. FRELINGHUYSEN. May I continue just a moment longer? It was so necessary to induce the purchase of coal in the Northwest that the carriers interested in Lake transportation of coal fixed a seasonal reduction of 28 cents and called upon the Interstate Commerce Commission to approve it. I believe I am correct in that statement. It was so necessary that something be done to induce the movement of that coal that they themselves did it. There are other districts in the country where the carriers are not so progressive, where the movement of the coal could be induced in like manner, and transportation could be relieved. Therefore the bill is introduced with the idea of allowing the Interstate Commerce Commission to fix seasonal rates for that purpose.

I yield now to the Senator from New Mexico.

Mr. JONES of New Mexico. I am in sympathy with the purpose which the Senator from New Jersey seeks to accomplish, but thus far it seems to me that it does not appear that if the proposed change were made it would accomplish the end which the Senator seeks. It does not appear that there is any opportunity to store a great quantity of cheap coal even if the inducements were made, and why make the inducements if the consumer is not prepared to take advantage of them and if the great industries of the country are not prepared, as I am advised, to store coal in any considerable quantity? So if the rates were reduced I do not think it sufficiently appears thus far with reasonable certainty that the end would be accomplished which the Senator seeks.

Mr. FRELINGHUYSEN. In complete answer to the Senator from New Mexico I ask him to turn to chart numbered 8, which shows that during the year 1918 the stock of coal actually in the hands of consumers, which means in storage, was 63,000,000 tons, which shows that there are facilities for storing coal; that to-day the probable normal stock on hand is about 36,000,000 tons; and that there are ample storage facilities in the country to take care of the peak load which I am endeavoring to transfer to the summer time, 21,000,000 tons. If the Senator will turn to page 8 of the charts, he will see a chart prepared by the Geological Survey based upon actual investigation and analysis of figures showing that the country does store and did store in 1918, 63,000,000 tons of bituminous coal.

Mr. JONES of New Mexico. May I inquire of the Senator whether that has not been the case without any reduction in railroad rates during that season? Do not the people now store coal so far as they are equipped for doing so?

Mr. FRELINGHUYSEN. No; they are not buying coal on account of present freight rates, but the lowering of the freight rates will, in my opinion, induce them to buy.

Mr. JONES of New Mexico. Of course, the year 1918, we all admit, was an abnormal year; it was during the World War, and people were anxious to get coal and put it away wherever they could so as to be sure to have it on hand. However, have we before us any evidence of any witness who knows the facts that there is unfilled coal storage capacity in the country to-day?

Mr. FRELINGHUYSEN. I will say to the Senator that I have evidence to show that the 50 cents seasonal reduction which the anthracite operators used to give the public had a great deal to do with stimulating the buying of summer coal. We have illustrations to show that the production increased immediately when the seasonal, summer discount was introduced. If the Senator will turn to chart 12 he will find some figures regarding that matter. This chart is headed:

DAYS LOST IN ANTHRACITE MINING BEFORE AND AFTER THE INTRODUCTION OF SUMMER DISCOUNTS.

In 1900 the companies in the anthracite region inaugurated the policy of announcing a summer discount on domestic coal. A gradual reduction in time lost followed. In the diagram the black bars show the average number of days lost. The zigzag line shows the loss in bituminous mining over the same period.

Senators will see that in 1900, when the summer discount was introduced, the number of days lost was 142; but the number of days lost decreased to as low as 15 in 1918, to 42 days in 1919; and, taking the period before the war, in 1912 to 77 days, in 1913 to 51 days, and in 1914 to 63 days. The figures demonstrate that the summer discount rate had a beneficial influence on the production of coal, the purchase of coal, and the storage of coal, and, what is more important, it resulted in more uniformity in the number of days of employment on the part of the miners at the mines.

Mr. JONES of New Mexico. Mr. President, it was the chart from which the Senator from New Jersey has just quoted which first attracted my attention and caused me to make the remarks which I have already made. It appears that that industry has been stabilized by the action of the mine owners themselves and without any reduction in rates of transportation with respect to the season.

In some sections of the country the bituminous operators do precisely the same thing, and there is an inducement to some extent for the storing of bituminous coal where it is used for domestic purposes; but it seems to me that the trouble is not here entirely, but that there are other causes. In the bituminous coal industry there is really no stability of prices, while in the anthracite coal industry there is stability of prices. The country at large feels that, so far as anthracite coal is concerned, it is so closely held and cooperation is so effective, that the price of anthracite coal is fixed, and whenever there is a reduction of 25 or 50 cents offered from the listed price of anthracite coal the purchaser is getting that much benefit from it, because the operators have the opportunity and have the will to raise the price when winter comes on; but in the bituminous coal industry there are no such stabilized market prices, and one does not know whether he is getting a reduction of 25 cents or 50 cents a ton or any reduction at all, because he does not know what the price will be two or three months hence. Even though the companies claim there is a reduction, there is no fixed or stabilized price in the bituminous industry, so far as I am advised, and one can not tell whether a reduction in the freight rate is going to induce the storage of bituminous coal or not, because one does not know what the price is going to be.

Mr. FRELINGHUYSEN. The Senator, however, will admit that the freight reduction is fixed. Let me point out to him the situation. The Senator took two positions. He first spoke of the cooperation among the anthracite operators in bringing about the summer discounts by voluntary cooperation.

Mr. JONES of New Mexico. I was not boasting.

Mr. FRELINGHUYSEN. No. I am trying to answer the Senator and to meet his argument.

Now, let me point out to the Senator the fact that 75 per cent of the anthracite production is controlled by nine railroad companies, and that they can by agreement make the summer reduction. Anthracite coal is all produced within three or four counties in Pennsylvania, embracing, I think, something like 400 or 500 square miles; whereas the bituminous industry is stretched over 33 States and 500,000 square miles. There is no such cooperation and no such agreement as to summer reductions to stabilize the price of coal and to equalize its distribution. Therefore, the situation in regard to anthracite is not analogous to that of bituminous when it comes to the contention which the Senator raises, that cooperation has brought a stabilization in the anthracite industry, and cooperation therefore necessarily would follow in the bituminous industry.

We want to provide for securing cooperation through the other Senate bill; but the pending measure has to do with a reduction of the freight rate; it proposes to provide for fixing freight rates, and, therefore, it has no bearing whatsoever on the question suggested by the Senator, except that it gives the buyer a reduction in the freight charge which is to be fixed by the Interstate Commerce Commission. It has nothing to do with the operators. In many districts the bituminous operators, with great wisdom, I will say to the Senator from New Mexico, have established seasonal rates. I know of one fuel company in Oklahoma, the McAlester Fuel Co., which has made seasonal rates, summer rates, and that action has stabilized and equalized production in the mines of that company. I hope under the other bill—the publicity bill—through some advisory council and cooperation, that the bituminous operators

in this country can as a unit, through cooperation, bring about seasonal reductions; but that is not the point involved here. The point involved in the pending bill is to bring about, if possible, more coal production and to lighten the load on transportation; and the Interstate Commerce Commission is given the authority to induce summer buying by lowering the freight rates.

Mr. POMERENE. Mr. President—

Mr. FRELINGHUYSEN. I yield to the Senator from Ohio.

Mr. POMERENE. The Senator now refers to the question of transportation. It is true that for several years past the coal situation has been seriously affected by the want of cars, but that is not the case now. There are at present 300,000 or 400,000 empty cars, so that if it were a car question alone that would solve itself. Lower rates are not going to promote the use of the cars. The other day in the course of a trip that I made to Ohio I met a former Ohio friend, who is now a coal operator in West Virginia, selling a large part of his product in Ohio. He said he could not now sell his coal at the mouth of the mine for \$2 a ton. There are many other considerations that enter into this question besides the mere coal rate. It looks to me as if that would be simply a homeopathic dose, the benefits of which are not going to trickle through the fingers of the dealers to the consumers, in my judgment. I will have something to say on that subject later on, but it is not now a question of transportation by any means.

Mr. FRELINGHUYSEN. May I ask the Senator if when he spoke of 300,000 idle cars he meant coal cars? My figures show 165,000 idle coal cars.

Mr. POMERENE. I think the figures given by me included all cars, but a large part of them are coal cars. There is not any great demand for coal because the industries are all closed down. The manufacturers do not differ very much from the domestic consumer. We are all more or less improvident when it comes to laying in supplies. Men ordinarily do not buy their coal until the winter comes, and a 15 or 20 cent reduction in the rates for transporting coal, if that shall be accorded, will not provide an inducement for the buyer of bituminous coal to lay in his store during the summer.

Mr. FRELINGHUYSEN. I will ask the Senator a question. We are all hoping that business will revive in the fall; possibly it will, and I think it will. We will then find that according to our normal consumption of coal we will be short 20,000,000 or 30,000,000 or, possibly, 40,000,000 tons. Naturally, practically all business will resume activity at the same time. The railroads will then be called upon to carry increased loads of traffic. That will mean that there will be a shortage of coal, because everybody will attempt to buy at the same time, possibly at panic prices. It was found necessary, in order to induce buying, for the carriers to reduce the rates for the transportation of coal by the Great Lakes. They wanted to get the coal to the Northwest, as they thought it was an economic necessity. I think it is an economic necessity to do whatever we can here to induce the public to buy coal.

If we can by seasonal rate reduction of freights in the next three or four months increase the purchase of coal by fifteen or twenty million tons, it may avoid a buyers' panic and may avoid a more serious situation.

Mr. POMERENE. Mr. President, with all due respect to my distinguished friend, I think that is merely theory.

Mr. FRELINGHUYSEN. It is the opinion of the Senator from Ohio that it is theory?

Mr. POMERENE. Yes.

Mr. FRELINGHUYSEN. But the Senator will admit that a study of the conditions will show that we were short of coal last spring and summer?

Mr. POMERENE. Yes; but the Senator must remember that under present conditions there is not only a reduction of production but there is likewise a reduction of consumption.

Mr. FRELINGHUYSEN. Undoubtedly that is true.

Mr. POMERENE. So that we can not determine what amount of coal will be needed next winter and next summer by the amount of coal that is needed this summer. With the industries in Ohio, perhaps, shut down to the extent of two-thirds of their capacity, I understand why there is not a demand for coal. The domestic consumers can buy now; there are the cars to ship coal, but they are not buying. The Senator from New Jersey—and I recognize his interest in this subject and the very great amount of care and study that he has given to it—points out an evil which has existed, but he has not demonstrated that the remedy he proposes is going to go to the right spot. That is the difficulty about this matter. Coal now can be bought; it is being mined in many places at the present high rate of production at a loss. Many mine operators would be willing to operate now, and to do so even if their accounts merely balanced at the end of the month, but

they can not get the orders; and it is not yet demonstrated that if there is a reduction of 15 or 20 cents a ton in the freight rate during the summer that that is going to help. In my State—perhaps I ought not to interfere with the Senator's speech—

Mr. FRELINGHUYSEN. I wish the Senator would continue, as I want an open and free discussion of this matter.

Mr. POMERENE. With that suggestion, then—

Mr. FRELINGHUYSEN. Of course, I do not want the Senator to make an extended speech, for I desire to finish as soon as I can.

Mr. POMERENE. Very well; I think I will reserve what observations I have to make until after the Senator shall have concluded. I do not desire to inject a speech in the midst of his remarks.

Mr. WATSON of Indiana. Mr. President, will the Senator from New Jersey yield to me that I may ask the Senator from Ohio a question?

Mr. FRELINGHUYSEN. I yield.

Mr. WATSON of Indiana. Is the Senator from Ohio opposing the pending measure?

Mr. POMERENE. I am opposed to the pending bill. I indicated in the committee that I might vote for the second bill, but my faith has been somewhat shattered the more I study it.

Mr. WATSON of Indiana. I thought I remembered that in the committee the Senator had favored the bill—

Mr. POMERENE. No; not this bill.

Mr. WATSON of Indiana. And I merely wondered why he had changed his mind.

Mr. POMERENE. I did not favor the pending bill.

Mr. WATSON of Indiana. Then it was the other one the Senator supported?

Mr. POMERENE. Yes. When the seasonal-rate plan was first suggested I thought it was a very happy idea, but has proven to be a little like the bumblebee—biggest when it was born.

Mr. WATSON of Indiana. I hope it has not stung anybody yet. Mr. POMERENE. No; but if it has not got a stinger later on, I am afraid it will prove a gold brick.

Mr. JONES of New Mexico. Mr. President—

Mr. FRELINGHUYSEN. I yield to the Senator.

Mr. JONES of New Mexico. I should like to get from the Senator his views upon the question as to who will get the benefit of this reduced rate, provided it is arranged for. Does the Senator believe that the consumer will get it, or that the operator will get it, or that the retail dealer will get it?

That is a question that has been troubling me a good deal. I may say to the Senator that my mind is still open as to this bill, and I should like to get information on that point if the Senator has any to furnish.

Mr. FRELINGHUYSEN. I will say to the Senator that a large portion of the bituminous coal is contract, f. o. b. mine, bought by the public utilities and industries of the country; and it is my opinion that if it is bought f. o. b. mine a 25 per cent reduction in the freight rate can not be taken by the wholesaler or the retailer if the agreement is made through them. Furthermore, I believe that if the freight rate stimulates the buying of coal—as I do believe it will, notwithstanding the gloomy forecast of my friend the Senator from Ohio, who has less faith in this legislation than I have—I feel that the small consumer will directly benefit by reason of the increased supply at a time when there is apt to be scarcity. If you have a plentiful supply of cars and a plentiful supply of coal, the consumer will get it low enough.

The Senator says that I have not demonstrated the benefit of this legislation. I point out to him that it was found necessary in order to market the coal in Ohio, the State which he represents, in the lake transportation district, to lower the rates of freight on coal to get that coal above the Lakes—the lake transportation coal. They made a 28-cent reduction to stimulate the buying there. In my opinion, that demonstrates the advisability of giving the Interstate Commerce Commission the power to fix and adjust these rates.

Mr. CUMMINS. Mr. President—

Mr. FRELINGHUYSEN. I yield to the Senator from Iowa.

Mr. CUMMINS. I fear that some Senators are looking at this proposed legislation from a point of view which is hardly warranted. There is nothing in this bill, as I understand it, that will reduce the price of coal taking a year as the standard, because the rates that are lowered in the summer will be advanced in the winter. Our question is simply whether it is wise to give to the Interstate Commerce Commission the authority to make coal rates lower in the summer than in the winter.

Entirely apart from everything that has been said here, I think that authority ought to be given to the Interstate Com-



merce Commission; for it is not to be assumed that the commission will exercise that authority unless it will accomplish some wise and beneficent object. I think we ought to keep our minds clearly upon that point; and it is hardly material to debate what effect a reduction of 25 cents in the summer and an advance of 25 cents in the winter will have upon the coal movement, because that question can be very safely given to the Interstate Commerce Commission for answer.

If the Senator from New Jersey will pardon me, I should like to state what I think the real object of this legislation is, and why it is that the Interstate Commerce Commission feels that it has not the authority under the present law to establish these rates.

The chief purpose of this legislation, as I look at it, is an economic and industrial one. The chief purpose is to enable the coal industry of this country to dismiss 25 per cent of the miners who are employed not more than 230 days in a year, but who must be employed as miners and who must be maintained at or near the coal mines because at certain seasons of the year there is a demand for the entire capacity of the mines, and these men must be there to produce the coal. If we could produce the same amount of coal in each month of the year, 25 per cent of the men who are now engaged in mining could seek some other employment, and the remaining 75 per cent could be employed continuously throughout the year. That is not only economically to be desired, but from the standpoint of restlessness and discontent it is still more to be desired.

One of the great causes of disturbance at the coal mines of the country lies in the fact that a large proportion of the coal miners are necessarily idle a large proportion of the time, and it is impossible to preserve content and order among men who are idle. It is not their fault that they are idle. The fault lies in the uneven distribution of coal from month to month, the uneven demand for coal.

I do not say that a reduction in freight rates upon coal in the summer time, with a corresponding increase in the wintertime, would fully accomplish that object. I do not know, nor can any human being tell with certainty, but I do know that these reductions in freight rates in the summer time would have a tendency to accomplish the object; and inasmuch as no possible objection, as I look at it, can be found against reposing this authority in the Interstate Commerce Commission, I think we ought to do it, and I think we ought to do it unanimously.

Mr. KNOX. Mr. President—

Mr. CUMMINS. Just a moment.

The reason why the Interstate Commerce Commission feels that it has not authority to do this thing is that it mistakenly, I think—because I agree with the Senator from Minnesota that the commission has the authority now to do it—feels that it has no right, in determining the reasonableness of a rate upon coal, to consider economic conditions. For instance, the commission feels that it has no right to consider the matter of which I have just spoken—namely, that a reduction in the freight rates in the summer time would have a tendency to promote continuous, steady employment at the mines—and it therefore declines to make these rates.

I now yield to the Senator from Pennsylvania.

Mr. KNOX. I merely wanted to ask this question as bearing upon the extent to which this bill would meet the mischief that has been described as the mischief toward which it is directed, namely, how much will it affect the price of coal? Because you must consider this fact:

The three great consumers of coal are the great factories of the country, the railroads of the country, and the steamships, both domestic and foreign, that coal at our ports. They take their coal day by day and week by week, summer and winter. They must have their requirements met. Of course, under the seasonal rates they would get a little advantage in the summer; they would pay a higher sum in the winter. The remainder of the coal is consumed by the people. Now, what percentage of the people who must have coal to cook their food and warm their houses have the funds to lay in a stock of coal at the lower seasonal rates? The great bulk of the people must buy their coal from week to week; and the time when they need it—in the winter—will be the time when they will have to pay the highest price for it under the arrangement proposed in this bill.

Mr. POMERENE. Mr. President—

Mr. CUMMINS. Mr. President, allow me to answer the question propounded by the Senator from Pennsylvania, although I recognize that I have no title to the floor.

I do not believe that it will make any difference in the price of coal to the class of people that the Senator from Pennsylvania calls domestic consumers. In my judgment, so far as the price made by the dealer to the consumer is concerned, 25 cents a ton or 30 cents a ton or 40 cents a ton taken from the freight rate in the summer and added to the freight rate in the winter will be

of no consequence whatever. I think the domestic consumer will pay substantially the same price in either event. I do not look upon this legislation as a measure of relief to the domestic consumer against high prices for coal. I assume that if the dealer finds that he can store the coal in the summer and save money he will do it, and he will have his coal stored; but I am not convinced that he will reduce the price to the consumer on that account. I do not know. The domestic consumer, however, uses probably 10 or 12 per cent of the coal produced; I do not remember just the proportion; possibly a little more than that.

So far as the great users of coal are concerned, the railroads would not be affected materially by the reduction in the freight rate, because the railroads would only be affected by the reduction in the freight rate for that part of the carriage before the coal reaches their own rails. They charge nothing for the carriage of coal upon their own rails, and it makes no difference what the freight rate is after the coal reaches that point. But I assume that the principal inducement to the large users of coal would be, first, a reduction in the rate which might enable them to store their coal during the summer; second, in the certainty of having the coal, and that certainly they could acquire in no other way than by getting it in the summer, because they can not tell whether the exigencies of transportation in the fall and winter will permit them to get the coal as rapidly as they desire it.

Mr. POMERENE. Mr. President, in coming to the conclusion that the dealers would store their coal and have it on hand when the demand arose for it, has the Senator taken into consideration the fact that the dealer, in determining what he would do, would have to keep in mind the fact that he would have his capital invested in the stored coal, that he would be at much larger expense for storage facilities, and that he would have the increased risk of the coal being wasted, both as to its quality, and perhaps through theft or otherwise? All of those things must be taken into consideration and would be taken into consideration by the dealer in making up his mind as to whether he would have a supply on hand or not.

Mr. CUMMINS. Mr. President, I embraced all those elements when I said that if the dealer found it profitable to store the coal he would do it. If the dealer does not find it profitable to store the coal, no harm can ensue, because he will wait, just as he does now, for the winter months.

Mr. POMERENE. And no good will come of it.

Mr. CUMMINS. I intended to make just a brief statement, but permit me to say that the second object of the bill, which is hardly less important than the first, is the release of the equipment of the railroads, so that that equipment can perform its full service.

I know very well that just now all kinds of business are in a state of collapse, the railroads among the business enterprises of the country, which are in that condition. We have no demand for a large part of the transportation facilities now in existence. But I assume that it is within the possibilities anyhow that there will be a revival of business in the United States and that the equipment which the railroad companies now have will be needed, as it has been so often needed before, and if we can use these cars in the summer time for the transportation of a greater quantity of coal than has been habitual in the past those facilities will be correspondingly released for the heavier business of the fall and the early winter.

I need not remind Senators of the exigencies of the last year, and in fact of every year since 1917.

These are the two great objects of this bill. It will not increase the price of coal a penny to anybody. It can not increase the price of coal, in my judgment, to anyone. To say that it will increase the price of coal is to assume that the dealers are not fair, honest, conscientious business men, and that they will take advantage of an opportunity, which they, indeed, have now, but which would be continued to them under the provisions of this bill.

Mr. WILLIS. Mr. President, I desire to ask a question of the Senator from Iowa. My attention was temporarily diverted, and I want to be sure that I did not misunderstand the first branch of the Senator's argument. Is it his belief that if the pending bill is enacted into law and carried into execution it will release 25 per cent of the miners now employed for employment elsewhere?

Mr. CUMMINS. No.

Mr. WILLIS. I misunderstood the Senator.

Mr. CUMMINS. The trouble is that they are not employed. That is the difficulty with the miners' situation. Roughly speaking, there are 25 per cent more men gathered around the coal mines of the United States and employed from time to time than are necessary to produce the coal which the American people consume. I said that it would enable 25 per cent of that number to seek other employment in which they could be

continuously employed, and it would leave the proper number continuously at work 275 or 300 days in the year.

Mr. WILLIS. In other words, instead of requiring 762,000 men to mine the coal, as is the case now, it would require only about 572,000, practically 200,000 less?

Mr. CUMMINS. That is my opinion.

Mr. WILLIS. I want to ask the Senator one more question. He heard the statement made by the Senator from Minnesota [Mr. KELLOGG] to the effect that the Interstate Commerce Commission, in his opinion, now have the authority proposed to be granted by the bill. Does the Senator from Iowa concur in that view?

Mr. CUMMINS. I commented on that during the course of my observations.

Mr. WILLIS. I did not hear the Senator.

Mr. CUMMINS. I believe the commission has the authority to do this thing, and I tried to explain why the commission thought it had not the authority. Did the Senator from Ohio hear my contention in that regard?

Mr. WILLIS. No; I regret I did not hear the Senator, but I do not ask him to repeat it, because I can read it in the Record. To what extent is that power now exercised by the Interstate Commerce Commission?

Mr. CUMMINS. So far as I know, it has never been exercised against the voluntary proposal of the railroad companies. The commission has, as I understand it, approved what may be called seasonal rates, and has authorized railroad companies to charge less at one time in the year than they were permitted to charge at another time.

Mr. FRELINGHUYSEN. Mr. President, I attempted to give the reasons of the Interstate Commerce Commission for desiring that they be granted these powers and the opinion of the chairman that at the present time they did not have the powers. I quote from a letter of Chairman Clark in relation to this; and I would like to have the attention of the Senator from Ohio, because thrice he has asked a question as to whether the commission now has power to fix seasonal rates. The chairman has written me as follows:

With regard to the commission's powers to prescribe seasonal rates, I have to say that we do not think that we have any powers to adjust rates for the purpose of securing or bringing about certain economic or industrial conditions which might appeal to our judgment. We think that our powers are to deal with the rates in the light of transportation considerations, with a view to avoiding or eliminating undue preference or prejudice and unjust discrimination as between persons or firms, localities or commodities. Our understanding of the purpose of the seasonal coal rate bill in which you are interested is that it recognizes a public interest and contemplates encouraging consumers to purchase their supplies in larger measure during the summer months, when the demand for coal is usually light and when the railroads have more than ample facilities with which to move it. We do not understand that it contemplates that this inducement shall take the form of reduced rates during the summer season wholly at the expense of the carriers, but that it shall be fairly compensated for in the rates applicable during the other months; in other words, that the total amount paid for transportation of coal shall be more evenly distributed over the months of the year without substantially affecting in this way the aggregate revenue of the carriers from this traffic.

In answer to the other question of the Senator—as to the situation regarding the seasonal rates which have been fixed by the carriers and, I understand, too, by the commission, for lake transportation of coal—the chairman of the commission has written me as follows:

You asked me to write you the facts in connection with the recent reduction in rates on coal to the Lake Erie ports when for transshipment by water beyond. You also asked my view as to the powers now vested in the commission to require seasonal rates on coal, with a view to inducing a larger movement during the summer season, thus relieving the situation during the late fall and winter months, when the demand is heavy and transportation difficulties more severe.

A large volume of coal moves each year from Ohio, western Pennsylvania, West Virginia, and Kentucky to Lake Erie ports, and thence by water to points on the Great Lakes. Large volumes of this coal are handled by dock companies at ports on the west bank of Lake Michigan and on Lake Superior, who distribute it among consumers at the ports and at inland points.

At a comparatively short distance from the docks this coal comes in competition with coal moving all rail from Indiana and Illinois mines. There is a large area in northern Iowa, southern Minnesota, eastern South Dakota, southeastern North Dakota, and western Wisconsin in which this competition is keen.

When the Director General of Railroads increased rates in July, 1918, the increases on coal were made in cents per ton, the increases being graduated according to the volume of the rate and being made applicable to each separate rate. The coal moving to the Lake Erie ports for movement by water has a rail rate to the port, and if it is distributed from Lake Michigan or Lake Superior ports via rail it, of course, has an additional or another rail rate. Both of those rail rates were increased while the single joint rate on all-rail coal from Illinois or Indiana had but one increase. The same thing occurred again when rates were increased generally in 1920, and necessarily these changes in rates worked to the disadvantage of the lake cargo coal and to the advantage of the all-rail coal.

The movement of coal via water from the Lake Erie ports amounts to from 20,000,000 to 25,000,000 tons per year, and that, of course, must move during the open season of navigation. It is highly desirable, therefore, that the movement shall begin early and continue throughout the season. It is an attractive traffic for the railroads

because the cars that go to the Lake Erie ports loaded with coal are loaded back to the iron-producing districts with iron ore. Boats that bring down iron ore take back cargoes of coal. The eastern railroads, therefore, have in this a rather ideal situation of a well-balanced tonnage.

In the early part of the present season of navigation the movement of lake cargo coal was negligible. The eastern operators insisted that under the then existing rates they could not sell or move lake cargo coal, and they convinced the traffic representatives of the railroads that unless the rate to the Lake Erie ports was reduced there would be no movement during the earlier months of the season of navigation and probably but little movement during the later months.

In other words, the operators themselves are begging for seasonal freight rates in order that they might have a market.

The letter continues:

As a result of this the railroads voluntarily put in the reduced rates on coal to the Lake Erie ports, the reduction being 28 cents per ton and the rates being initially applicable only on coal destined to west bank Lake Michigan ports north of the Illinois-Wisconsin State line and to Lake Superior ports west of Whitefish Point. The carriers' application for authority to establish these rates on short notice was granted by us.

There are three conceivable places where that 21,000,000 tons might be stored. At first thought one would say store it at the mines, but mine storage is practically nonexistent in the United States. If we are going to store coal at the mines, the cheapest place is underground in the bed, and in any case mine storage would not solve the question of the seasonal load on the transportation system, which is, after all, the one that concerns me most. The fuel troubles of the past five years have been primarily due to inability to deliver coal, and seldom to inability to mine it.

The second place where the 21,000,000 tons might be stored is at some intermediate point, after the manner of the coal on the Lake docks. In such a case the work of storing coal would probably be undertaken by the producer or distributor rather than by the consumer, as is the case with the storage yards operated by the anthracite producers. It is to be remembered, however, that intermediate storage is not likely to be possible, except at some natural breaking point in the movement from mine to consumer, and the possibilities of its application to bituminous coal do not appear to be great. Moreover, intermediate storage will not solve the real problem of guaranteeing a reserve supply to the ultimate consumer. Something may happen to the last link in the chain of transportation, and if so, the consumer is no better off than if the coal were at the mine. Suppose, for example, that we were to ask the bituminous operators to put in storage yards somewhere en route to New England. The experience of the last few years has shown that the neck of the bottle in fueling New England is apt to be the capacity of the rail gateways over the Hudson, and simply to accumulate supplies above that bottle neck might be of little value when the need of a reserve really came.

The third place where the extra coal may be stored is in the bin of the consumer. By this I do not mean alone the cellar of the householder, but more important still, the manufacturing establishment or the public-utility plant. I am fully aware of the fact that the storage of some types of soft coal present technical difficulties, such as the danger of spontaneous combustion. The weight of expert opinion, however, is that with the proper precaution, even Middle Western coals can be stored successfully. What we must do is to spread among users of coal knowledge of the technique of storage, and that is one of the things provided for in the companion bill, Senate 1807. I realize, too, that storage requires space, and that space is not available at all plants.

But, to my mind, the great sweeping answer to these objections that storage is difficult or impracticable is that many thousands of consumers do store coal already; that the quantity normally in storage in the late fall is probably over 30,000,000 tons, if not well up to 40,000,000 tons, and that we know by actual count that on the day of the armistice consumers had on hand 63,000,000 tons of coal, much of it, by the way, Illinois, Indiana, or other western coal. The extra 21,000,000 tons which must be stored in the summer to equalize output, when added to the quantity already stored, would not exceed that figure of 63,000,000 tons, which actually has been stored already. What was done by the consumers during the war can be done again, and will be done if only storage is made financially attractive to them.

Many a public-utility or industrial plant has learned through its bitter experience of the last five years that a coal pile is as necessary a part of the insurance of its plant as a fire insurance policy. I know and you know of cases where facilities for storage have been installed recently with no other inducement than providing that insurance. But it is only fair to the consumer that some financial encouragement be offered him to offset the cost of storage. That is exactly what this bill proposes. If 50 cents a ton, the summer discount in the price of domestic anthracite, has been a material factor in moving



anthracite in the summer time, as the anthracite producers will agree it has been, I think we can look forward to a 50-cent differential in freight, tending to produce the same result in bituminous coal.

SEASONAL COAL RATES ARE THE ONLY PRACTICABLE MEANS AT HAND TO ENCOURAGE STORAGE.

I hear some one retort, "Well, if the summer discount in the price of anthracite has been effective in stimulating the summer demand for hard coal, why not apply the same idea to soft coal? Let the bituminous operators offer a summer price." The answer is that what has been possible in the way of stabilized prices in the close-knit anthracite industry would not be possible in the highly competitive bituminous industry. In the anthracite field eight railroad affiliated companies control 75 per cent of the output, and secure from any effective competition they have been able to announce prices in advance and to adhere to those circular prices. But I for one would be afraid to see any general agreement among bituminous operators to offer seasonal discounts in mine prices of bituminous coal, because that would involve the building up of a gigantic soft-coal trust. Some far-seeing bituminous operators have imitated the anthracite producers' practice of announcing summer discount prices, chiefly on domestic coals. Such an operator is the McAlester Fuel Co., of McAlester, Okla.; but I am informed by the president of that company, Mr. J. G. Puterbaugh, that purchasers of coal are inclined to doubt the certainty of the financial saving offered by the summer price. They are afraid the market will jump the other way. They want something that is guaranteed, something that they can bank on. Although the McAlester Fuel Co. has found its summer prices of great practical value in stimulating the summer movement of its coal, Mr. Puterbaugh is an earnest advocate of seasonal freight rates. There can be no doubt in the consumer's mind as to the financial saving to be involved under a system of seasonal rates. It is laid down in black and white before him, and announced for months in advance.

Let me make clear that the bill as drafted is not an attempt to revise downward the general level of coal rates. That is a separate subject which the powers of the Interstate Commerce Commission are already ample to cover. The present bill specifically directs that seasonal rates shall be so adjusted that the increases in the fall and winter months shall compensate for the decreases in the spring and summer months, in order that the total revenue to the carriers from the transportation of coal shall remain approximately the same.

I am also fully aware of the fact that a set of seasonal differentials in rates which would be applicable to conditions in Illinois might not be applicable to conditions in the Appalachian region. The bill in its present form leaves it to the discretion of the Interstate Commerce Commission to apply the principle of seasonal rates in one district and not in another, and to vary the differentials from one district to another in order to meet the needs. The procedure of the commission under the act as passed would doubtless be to investigate carefully the normal seasonal variation in coal shipment for each rate group or coal-producing district, and to fit the remedy to the condition disclosed.

SEASONAL COAL RATES ARE NEEDED TO HELP THE COAL INDUSTRY ITSELF.

The most obvious sufferers from the irregularity of the demand for coal are the men engaged in mining it. It is common knowledge that the miner's year is highly intermittent, but I doubt if our people realize how great the irregularity is. During the last 30 years, out of 308 potential working days in the year, the bituminous mines of this country spent an average of 93 days in idleness and worked only 215 days. That 215 days is the measure of the opportunity to labor offered to the mine worker by the industry. Moreover, the condition is not improving. In 1919 the total number of working days lost was 111, of which only 36 were attributable to the great strike. The year 1920 will also show up poorly when the final returns are in. In 1921, according to the weekly reports of the Geological Survey, the mines have been working in most districts only two or three days a week.

To visualize the extent of these losses of working time, diagram No. 3 in the book of charts will be helpful. It shows that in the long run the mines have lost unavoidably because of the seasonal character of demand some 44 working days per year. But so great is the mine capacity in the bituminous industry that even were the mines to work steadily during the year they could not be kept continuously employed. Some 34 days are lost each year through sheer overdevelopment of the industry. There are so many mines and so many miners that there is simply not enough work to go around. Add to this an allowance for the effect of business depression in reducing consumption, which, absent in some years and present in others,

count on the average for perhaps 15 lost working days in the year and the total time idle is 93 days, or 30 per cent of the working year.

Fancy yourself a coal miner and subject to these irregularities of employment. You know by experience that you can hardly hope to work much over 200 days in the year. You know that there will be weeks or months in the summer when you can work but one or two days a week. You know that it is never possible for you to tell in advance whether cars will be furnished the mine to-morrow or not. When the miners asked for a six-hour day and a five-day week—a total of 30 working hours per week—they were asking for a recognition by agreement of the working time that is in fact offered them. For the average number of hours worked per week from the day of the armistice to November 1, 1919, when the miners went on strike, according to records furnished the Geological Survey by the coal operators, was exactly 30 hours per week. Of course, we do not want to crystallize this bad situation into a permanent arrangement by agreeing that the working week shall be limited to anything like 30 hours, but I can sympathize with the position of the coal miner. I do not wonder that such irregular employment creates in him irregular habits. I imagine that it is a primary cause of the tremendous labor turnover complained of by the operator. If seasonal freight rates will do anything to stabilize the working year for the 625,000 men who work in our bituminous mines, this bill will have been worth while.

So much for the effects of intermittent operation on the mine worker. Its effects on the mine owner are scarcely less serious. It adds to his administrative problem by creating discontent among his men; it causes undue depreciation of his mine during periods of idleness; and it very greatly increases his costs per ton. If the mine is designed to produce 1,000 tons per day and has orders sufficient for only 500 tons, each one of those 500 tons must bear twice as much of the overhead expenses, including fixed charges, as if the mine were working to capacity.

Nor is the public without interest in the condition of the miners and owners. After all, the public has to pay the bill. It has to pay prices high enough to support the labor and capital engaged in the industry for the 93 working days they are idle as well as for the 215 working days they are active. As Director Smith, of the Geological Survey, has aptly put it, the number of man days of enforced idleness in bituminous coal mining in this country is equivalent to maintaining a standing army as large as the Secretary of War is now asking for. It is as large as the man days involved in giving every young man who comes of military age in the year three months of military training.

Our coal industry has become so used to this condition that we do not realize how much worse it is in the United States than in the other principal coal-mining countries. For example, as diagram No. 2 in the booklet of charts shows, the number of days worked at bituminous mines in the United States in 1913 averaged 232, as against 280 in Nova Scotia, 289 in France, 290 in the United Kingdom, 298 in Belgium, and 317 in Prussia. These are the countries that are our principal competitors in the export coal trade. Our costs are much lower than theirs in respect to many items, but they are much higher than theirs in respect to the element of steadiness of operation. Some light on the reason for this poor showing of our mines in comparison with those of other countries is given in diagram 11 of the book of charts. From that diagram it will be seen that in England, our chief competitor, the seasonal character of demand has been practically overcome.

But we do not need to go outside our own country to prove that the problem of seasonal operation of coal mines can be solved. The anthracite industry of Pennsylvania has so improved its working time through summer-price discounts and other devices that it now compares not unfavorably with the industry in England.

SEASONAL COAL RATES ARE NEEDED TO RELIEVE THE TRANSPORTATION SYSTEM.

The railroads, especially those of the Mississippi Valley, suffer from this irregular character of the demand for coal almost as much as do the mines. The large wall chart [wall chart No. 1] shows how the monthly revenues of the carriers have fluctuated up and down with the monthly production of soft coal in the last eight years. Of course, soft coal is not the only seasonal commodity, but it is a significant fact that the heaviest demand for coal-carrying equipment comes at the very season of the year when the crop movement is heavy, namely, the late fall. Look again, if you please, at the curve of monthly coal production in Illinois [wall chart No. 2; also diagram 5 in blue booklet] and imagine yourself president of the Illinois Central Railroad, asked to provide transportation to haul the coal offered in times of peak demand. If you buy cars enough and engines enough to handle 9,000,000 tons per month on occa-

sions, what can you possibly do with those cars and engines when the output drops to three or two million tons or fades away to nothing at all? I suspect that the capital investment in coal-carrying equipment is at least equal to the capital investment in coal mining, and it is nationally just as important to keep that railroad equipment working regularly through the year as it is to keep the mining equipment uniformly occupied.

There has been some criticism of the inability of the carriers to deliver coal as rapidly as it is called for by the public. I wonder if you realize the difficulties of the task that has confronted them. The tables of weekly output appended by the Geological Survey to the booklet of charts which lies before each of you show that the railroads have frequently had to furnish transportation for a weekly output of 12,800,000 tons, and occasionally for 13,000,000 tons of coal. But in the dull season the tonnage offered them has dropped to 6,000,000 tons, and once during the coal strike in 1919 it fell off to less than 4,000,000 tons. Perhaps it is unfair to take the extreme conditions of the coal strike as an example, but there are plenty of illustrations without considering the most extreme cases. Take the last three years. In 1919, when the only thing limiting production was lack of orders, the output of soft coal fell to 7,378,000 tons a week. Later in the year, when the consumers realized their mistake and tried to accumulate a safe reserve as they saw the strike coming, the production rose to 13,140,000 tons a week. This was an increase of more than 78 per cent in seven months. Again, in the fall of 1920, the railroads were called on to furnish transportation for 12,865,000 tons in one week—the week ended December 11. Five months later the output had dropped to 5,822,000 tons—the week ended April 2, 1921.

No business can function economically under a demand so irregular as this. In view of the present physical condition of the railroads, it is absolutely essential that something be done to equalize the burden of coal traffic. Before the war our transportation system had no serious difficulty in handling the coal offered, even with the peaks and valleys of seasonal variation in demand. We must remember, however, that in those days the country needed less than 500,000,000 tons of soft coal a year. Now, when business is active, our national requirements, including coal for export, are in the neighborhood of 530,000,000 tons. There has been no corresponding growth in the capacity of the railroads to transport coal, and on the three occasions when we have called upon them to haul 550,000,000 tons of soft coal in the year the carriers have shown signs of distress. In 1917, 1918, and again in 1920, years in which the output of bituminous coal exceeded 550,000,000 tons, the carriers were able to handle the burden only by being relieved from the responsibility of carrying other types of traffic. As Mr. Gutheim, of the American Railway Association, has pointed out—

Our railroad facilities are probably adequate to-day to handle our necessary annual bituminous output, if produced with fair uniformity of rate throughout the year, and will certainly be adequate when post-war rehabilitation of the properties is completed. Our railroad facilities are not, and without great waste of investment never can be, adequate to handle currently our necessary bituminous-coal production when obtained by weekly peaks of 13,000,000 tons, and valleys of 7,500,000 tons, in a 12-month period, as has been the case in the past two years.

If Mr. Gutheim is right, some means must be found to spread the burden of coal traffic more equally over the year.

Now, evening up the traffic to be handled on a railroad is essentially the same problem as evening up the demand for power and light at an electric utility plant. One of the constant problems of the public utility is to improve what the engineer calls the "load factor." So the utility offers special concessions in rates to users of power who can avoid the peak hours and take their current in the hours of low demand. Conversely, the utility charges a premium on the current used during the peak hours. Seasonal coal freight rates are simply the same idea applied to railroad transportation. While the carrier will get less for the ton-miles of hauling done during the months of discount, it will get proportionately more for the ton-miles hauled in other months, and the total receipts will be the same. On the other hand, its efficiency of operation will be greatly improved and it will be enabled to handle a larger volume of freight, because it works more continuously. Once more the plant with the high load factor will score over the plant with the bad load factor.

SEASONAL COAL RATES ARE NEEDED TO BUILD UP ADEQUATE RESERVE STOCKS FOR THE PROTECTION OF THE PUBLIC.

My interest in this bill, however, lies not primarily in providing regular work for the mines or in relieving the rush demand upon the transportation system. As a representative of a coal-consuming State, my primary interest is to see that something is done to protect the consumer of coal against a runaway

market or against an actual shortage of coal. I think that the way to do that is to build up and to maintain a reserve in the hands of consumers large enough so that no probable interruption to supply, whether it comes from traffic congestion on the railroads or from a mine strike, can force the consumers to go out and pay the coal man any price that that man's conscience will let him charge. We have had bitter experience of what happens when reserve stocks of coal fall below the point of safety. Lack of sufficient storage or poor distribution of the coal in storage was the cause of these mountain peaks of price shown in the curve of the large wall chart. [Wall chart I, red line.] On this point I think that the coal trade and the thinking men among the coal consumers are in agreement. So long as the quantity of coal in storage is large, consumers can bide their time. They can withstand a traffic jam, delaying the delivery of loaded coal. If prices asked are excessively high, they can wait and rely on contract deliveries. But once let stocks fall below the danger point and conditions are ripe for a panicky market. When a consumer like a public utility, which must keep going at all costs, runs out of coal he must practically take the producer's terms in obtaining a supply to tide him over the emergency. Now, our people are not in the habit of holding the large reserves which experience has taught us they need.

A few days of extraordinarily severe winter weather in December, 1917, and January, 1918, resulting in a temporary blockade of the railroads in the Northeast, caught a great many users of coal unprepared and unprotected. The price at the time was under control, but no one needs to be reminded of the bitter experiences and the industrial losses resulting from the shutting down of plants which followed. Again, when the miners struck in the fall of 1919 the power behind their strike resulted from the fact that the consumers of coal had used up their wartime reserves. Consumers had been burning their stock piles instead of buying coal to maintain their stock piles, and the result was that even with the nonunion fields working to capacity, stocks of coal were exhausted in six weeks' time and a settlement became absolutely imperative. At the end of that time stocks in the industrial Northeast, in territory north of the Ohio and Potomac and east of the Mississippi, had been eaten down to the bone, and reports of distress and the closing down of plants began to come in from many quarters.

But if you wish to see the effect of depleted stocks in producing a panicky market at its worst, look at the curve of spot price in the season of 1920. [Wall chart No. 1; also diagram 14 in booklet.] When the Government withdrew its control of prices on April 1, 1920, stocks had not recovered from the strike and were still dangerously low. If the railroads had been running smoothly, it is probable that the reserves could have been built up again without undue rise in price. But on the very day that the Government control of prices was lifted the railway switchmen's strike broke. Traffic was seriously interrupted, and many consumers experienced delays in getting delivery on coal. The result was that they had to bid against one another and the panic demand forced prices up to the highest level ever known. The average spot price of all bituminous coals, according to Coal Age, in the month of August, 1920, was over \$9 a ton f. o. b. mine. To appreciate what that meant, suppose we think of it in terms of the prewar price. If the 1913 spot price be represented by the index number 100, then the index for August, 1920, would be 730. In justice to the coal men it must be pointed out that most of the tonnage continued to move under contract and was not affected by these extraordinary spot prices. The \$9 price did, however, represent what the unwary and unprotected consumer had to pay for emergency coal. The extraordinary foreign demand for export overseas prevailing at that time was no doubt a factor in the high prices, but it was only a contributing factor. We should have had high prices had there been no foreign demand, because stocks were dangerously low and because current delivery could not be made by the railroads fast enough to supply all the emergency coal. Conversely, had stocks been large, traffic jams resulting from the switchmen's strike would have had little effect on prices, because consumers could have relied upon their reserves for a period instead of being forced to enter the spot market and buy on the producers' terms.

These facts point indisputably to the conclusion that the tone of the coal market is very largely determined by the state of consumers' stocks; that the surest way to create a sellers' market, a market in which anything that is black goes, and in which the producer can name his own terms, is to let stocks fall below the danger point. If, on the contrary, the reserves can be kept comfortably large, the possibility of a panic demand is practically eliminated. The market will then become a buyers' market, such as generally prevailed in this country before the war. Our great mine capacity, our enormous underground resources of soft coal, are such that competition can be trusted



to keep down the price when only 10,000,000 or 11,000,000 tons a week are being asked for. Let the weekly demand rise to 12,000,000 or 13,000,000 tons, and the railroads are likely to show signs of distress, deliveries will be interrupted or delayed, and the condition is ripe for another sellers' market. I have dwelt at some length on the necessity of maintaining a large reserve stock of coal as a protection to the consumer against extortionate prices; because it seems to me the strongest argument in favor of the seasonal rate bill. If the bill accomplishes its purpose and encourages general storage by the consumer, it will do more to bring about reasonable prices of coal than all the machinery of Government regulation can do.

SEASONAL RATES ARE NEEDED AT ONCE TO SPEED UP THE MOVEMENT OF COAL FOR NEXT WINTER.

It is my intention to press this bill for immediate passage in the hope that it can become a law in time to be used as a means of stimulating the movement of coal in the present season. I do not wish to assume the rôle of an alarmist nor to predict a scarcity of fuel in the near future, for we should be inexcusably negligent should such a shortage develop under present conditions. The facts as to current production as revealed by the Geological Survey's weekly coal report are such, however, as to give food for thought. Do you realize that the cumulative output of soft coal for the year up to June 1 was 69,000,000 tons behind 1918 and 51,000,000 tons behind 1920? Those years were, of course, years of active business, when consumption was greater than at present; but in comparison with 1919, a year of business depression, and a year when the carry over from the preceding winter was enormous, the present season was 14,000,000 tons behind on June 1. That fact is disquieting to me. I am not greatly reassured to note that the cumulative output this year is slightly in excess of that for the corresponding period of 1915, because, while the present business depression is more serious than that of 1914 and early 1915, our normal increase in consumption is so great that we should expect to be using 60,000,000 tons more per year now than then.

The plain fact is—as all the coal trade knows—that the consumer is distrustful of the coal operator and dealer. The consumer figures that miners' wages and freight rates are coming down. Consumers, as a class, with the exception of the public utilities, have in consequence been drawing heavily on their stock piles. Up to April 1 the draft on storage had not proceeded far enough to lower the reserve below the danger point. The Geological Survey's canvass of consumers' stocks showed the total in storage on April 1 as about 37,000,000 tons. It is clear, however, that the draft on storage must have continued since then; and at present, in my opinion, stocks are getting too low for safety. The passage of this bill and the definite announcement of a seasonal cut in coal freight rates, to be followed at a specified date in the autumn by a restoration of the present rate, would clarify the situation greatly. It would put an end to speculation as to what is going to happen to the transportation cost of coal and would result in the placing of thousands of orders at the mines. I do not wish to prophesy an impending shortage of cars, but there have been plenty of railroad executives to sound that note of warning if the purchase of coal be longer delayed. This much is perfectly clear: That if business revives suddenly, and we attempt to reaccumulate stocks of coal, take care of current consumption, and handle other commodities calling for open-top equipment, we shall have a repetition of the situation in 1920, with the railroads unable to handle all the traffic. Under these circumstances, the need for prompt action on this seasonal rates bill and for immediate application of the principle as soon as the bill becomes a law is urgent. Let us get part of the year's transportation task out of the way while we have idle cars waiting for something to do, and have the cars available for handling other traffic when the revival of business comes.

The coal industry represents the most important transportation problem before the railroads of this country, the following comparison of coal tonnage compared with the tonnage of other basic commodities setting out this situation very clearly:

	Net tons.	
Anthracite coal	98,826,084	
Bituminous coal	579,385,820	
Total coal	678,211,904	
Relative weight compared with coal.		
	Net tons.	Percent.
Farm products: Wheat, corn, oats, rye, barley, and potatoes.	163,176,298	24.0
Lumber: All grades.	63,780,988	9.4
Basic metals: Steel, copper, lead, zinc.	51,829,281	7.6
Total.	278,786,567	41.0

It will be observed that the transportation of all farm products, all the lumber, and all the basic metals requires a tonnage movement approximating 41 per cent of that required to move the anthracite and bituminous coal, the figures shown above covering the calendar year 1918, no later tonnage figures obtainable—the ratio no doubt holding relatively uniform.

The bituminous coal produced by the mines of this country for eight years—1913 to 1920, inclusive—with the production for the first five calendar months of 1921 and the tonnage that must be produced and transported in the remaining seven months of the calendar year, if we are to produce 499,010,000 tons in 1921, is set forth in certain figures which I have here. I ask unanimous consent that these figures be inserted in the Record in connection with my remarks.

The PRESIDING OFFICER (Mr. NORRIS in the chair). Without objection, it is so ordered.

The matter referred to is as follows:

*Annual fluctuations in the production of anthracite coal.*

[This table shows that anthracite production, except during the war years, 1917 and 1918, when a large amount of coal was reclaimed from the culm banks, is practically stationary at 90,000,000 tons a year. Bituminous production, on the other hand, fluctuates sharply.]

	Net tons.
1913	92,000,000
1914	91,000,000
1915	89,000,000
1916	88,000,000
1917	100,000,000
1918	99,000,000
1919	88,000,000
1920	89,000,000
1921 to May 28	37,600,000

The bituminous coal production and requirements of the country have been as follows:

	Tons.
1913	478,435,297
1914	422,703,970
1915	442,624,426
1916	502,519,682
1917	551,790,563
1918	579,385,820
1919	458,063,000
1920	556,563,000
Average, 8 years	499,010,000
Production Jan. 1 to May 31, 1921	153,821,000
To be produced June 1 to Dec. 31	345,189,000
Average production per month first five months	30,764,200
Average production required next seven months	49,312,714

Increase in rate of production required, 60 per cent.

Mr. FRELINGHUYSEN. The question arises as to whether or not the country, with industries largely idle, will require 499,000,000 tons of soft coal this year. I am of the opinion that due consideration should be given to the fact that the existing bituminous wage scale is extraordinarily high and must be reduced with the expiration of same on March 31 next—the anthracite wage scale expiring simultaneously with the bituminous scale—and with the further belief that such adjustment will not be made without protracted controversy I am confident that a suspension of more or less duration will take effect. That such should happen is unfortunate, even discreditable, to the conduct of our coal affairs, but I do not believe that either the coal operators or mine workers have been educated out of the method of adjudicating their differences which has been in force ever since the inception of the United Mine Workers' organization.

During the months in which I have urged the theory of constructive legislation more or less objection has been made to same by the coal operators of the country. In a general way the majority are adverse to putting the industry on a stable basis. To be frank, many of them prefer the existing condition, believing that with the present excess development more money can be made over a period of years as the industry is now conducted than would accrue from steadier operation and fewer mines.

I believe the greatest obstacle that stands in the way of national progress to-day is our extraordinary economic waste, waste of natural resources, waste of energy, and the unalterable solution lies in an improvement of the load factor.

We must indorse the theory of a more uniform operation of the coal mines of the country; when this is done we have contributed to the more uniform operation of the railroads. What is wanted to-day is a sufficient number of men in high place who will say that the load factor of the railroads must be improved and the extraordinary seasonal variations in the industrial machine must be modified where elimination is not possible.

The outstanding feature of all opposition to this bill that has come to my attention is that such is based on the individual interest of the producer and without regard whatever to—

(a) The extraordinary tax levied on the consumer, who pays the bill.

(b) The extraordinary tax levied on the transportation resources of the country, the cost of which must also be met by the consumer.

(c) The total indifference to the instability of employment suffered by the mine worker, which has led to demands in extraordinary wage increases, enforced in turn by strikes, costing the country millions and actually menacing our Government.

On November 20 a meeting of the coal committee appointed by the American Institute of Mining and Metallurgical Engineers, Herbert Hoover, chairman, consisting of men who were capable of holding themselves apart from the commercial situation, the following recommendations of the committee, including seasonal freight rates, is summed up in the following statement:

That the bituminous industry, by the nature of its organization, functions economically in a too inefficient manner. Employment in the industry averages 220 days per annum, with a minimum district average of less than 200.

Thus a labor staff and capital investment of fully 30 per cent more is required than would otherwise be necessary. From this flows a high daily wage, a considerable portion of the just complaints of labor, and a higher cost of coal to the consumer.

The causes are very largely (a) intermittency in seasonal demand, (b) irregularity of car supplies, (c) lack of storage facilities and incentive for their use.

The cure lies in (a) the cooperation of railroads in the establishment of seasonal differentials in rates that will induce summer demand. (b) Increased transportation facilities and a more efficient and equitable distribution of cars. (c) An increased use of central and interconnected electric power stations. (d) A lower selling price in dull seasons, made possible by differentials in profits, freight rates, and wages. (e) A recognition by the larger consumers, such as Federal, State, and municipal institutions, railroads, public utilities, and industrial plants that not only continuity of operation, but also the safety of the public, demands that they provide adequate storage to be replenished in the dull seasons.

Such storage is feasible and can be made financially remunerative by differential rates and prices. Public safety demands the installation of storage facilities at the place of consumption.

No adequate solution can be found except through organized cooperation of the operators, labor, railroads, and large consumers. Under existing laws as to combinations such cooperation can not be carried on. Therefore we believe that some Federal legislation is necessary permitting such cooperation under competent Government authority.

In addition to the broadest possible educational informative program (which is distinctly the work of the Federal Government), in so far as collecting and publishing general statistical information is concerned, seasonal prices and seasonal freight rates as applied not only to coal, but possibly other commodities, will go farthest in the direction of bringing this condition about.

The attitude of the coal men and the railroad men has very largely been reactionary, neither class having offered a single constructive suggestion in the past two years—they are committed to the theory of maintaining the condition status quo.

The committee believes that legislation of this character, authorizing the Interstate Commerce Commission to initiate lower freight rates on coal during the spring and summer months and higher rates during the fall and winter months will tend to encourage consumers to develop storage accommodations, to accept deliveries of coal in advance of their seasonal needs, and thus to keep the mines operating more constantly throughout the year.

Mr. President, I ask permission to insert a certain marked portion of the report of the committee on seasonal coal rates as a part of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

... The committee is of the opinion that such legislation will bring about the following beneficial results:

1. It will stabilize the price of coal. The capacity output of all the coal mines in the United States, assuming fairly constant operation, would far exceed the present consumption. The output of all these mines working as at present only intermittently during the spring and summer months and working to capacity during the fall and winter months is barely sufficient to supply the current needs and the greatly increased cold-weather demand for coal. During the winter the demand so nearly equals the currently available supply that scarcity prices prevail. In addition to this the actual cost of production per ton is unduly enhanced because the operator must during the time his mine is closed down or working intermittently keep together his organization and expend money for the upkeep and maintenance of the property, all of which must be added to the price of the coal which he mines and sells during the rush season. If the demand for coal were reasonably constant throughout the year, many of these costs based on holding plant, capital, and personnel idle for a large portion of the time would disappear, and the price of coal would more nearly represent only current costs of production plus a reasonable profit, leaving no opportunity for charging scarcity prices during the months when the greatest amount of coal is consumed. The situation is somewhat analogous to that which prevails in the electric-lighting industry, where the rate of 10 or 12 cents per kilowatt hour charged for current used for lighting includes a large allowance for machinery kept idle throughout the daytime and only employed to handle the peak load in the evening, while the same current is sold for heating purposes at 3 or 4 cents per kilowatt hour because its use throughout the day for this purpose tends to keep all of the power-house machinery operating more constantly.

2. Such legislation will obviate very largely the pressing necessity for more coal cars. The present supply of coal cars, while totally insufficient to handle the fall and winter rush under existing condi-

tions, would be fairly adequate to carry all the coal desired by consumers if this equipment could be kept moving with greater regularity throughout the year, as would be the case if the advantage of lower summer and spring freight rates could be held out to induce consumers to receive coal shipments in advance of their winter needs. Under the present system thousands of coal cars ordinarily lie idle during the spring and summer, while the whole available supply of coal cars is entirely insufficient to handle the fall and winter emergency.

3. Such legislation would remedy the present inadequacy of terminal facilities. The large amount of coal which must now be transported within a comparatively short time in each year tends to glut already overcrowded terminals. The increasing inability of existing terminal facilities to handle extraordinary seasonal demands without entailing serious delays and disproportionate terminal costs is one of the most glaring weaknesses in the present American railroad transportation system, according to the testimony of Chairman Clark of the Interstate Commerce Commission.

4. Such a measure would promote regularity of employment in the mines, and would thus settle most of the outstanding grievances of the miners. Increased compensation for miners is demanded not so much as an actual wage for work performed but rather as a pension for periods of enforced idleness due to the seasonal demand for coal.

The committee finds, from an examination of some of the disadvantages which might appear to inhere in the requirements of lower spring and summer freight rates for coal shipments, that most of these objections are untenable:

1. The revenues of the carriers would not be affected. A large amount of coal would still have to be mined and shipped in fall and winter to consumers who lacked the capital, credit, foresight, or storage accommodations to enable them to secure their supply during the warmer months.

2. The transportation of more coal in the spring and summer will not embarrass the railroads in handling other seasonal movements, e. g., crops. In some localities cars carrying grain are loaded only in one direction, returning empty to the point of origin because of lack of shipments moving in that direction.

If coal could be encouraged to move at the same time, this wasteful practice of hauling empty cars might be at least partially eliminated. Operating conditions during the clear weather of the spring and summer months are much more favorable, so that railroads can better withstand heavy demands for transportation at that period of the year than during the fall and winter months when coal has heretofore moved in greatest volume. The cost to the railroads of transporting coal is also much less in warm weather, when locomotives can haul heavier trains, when they consume less fuel, and when fewer employees can handle more traffic.

3. The acquisition of more coal cars does not afford a practicable and complete remedy for existing difficulties. Under the transportation act the Interstate Commerce Commission is given the power to require carriers to provide themselves with sufficient cars. But most of the railroads have neither the money nor the credit with which to buy a supply of coal cars adequate for current needs under the present system of large seasonal shipments, so it would be useless for the commission to order them to purchase this equipment. On the other hand, most of the railroads which have enough money or credit to finance such purchases already possess an adequate number of coal cars to care for the needs of their own patrons, and they could not reasonably be required by the commission to purchase additional cars to take care of the traffic of other lines.

4. It may be urged that the interstate commerce act now contains ample provisions to permit the commission or the carrier to institute lower summer freight rates for coal. The conclusive answer to this contention is that, during the many years that the same provisions have been law, this practice has never been introduced. The commission does not believe that it possesses the power to require the establishment of such seasonal rates on coal. It has never attempted to exercise this power, and its chairman states that it does not contemplate doing so in the future in the absence of further legislation. The commission assumes that, in prescribing rates and practices, it is not empowered to initiate new systems of rate making, designed principally to remedy general economic situations. It feels that this should be the subject of specific legislative authorization.

The committee realizes, of course, that the feasibility and effectiveness of the proposed legislation depends very largely upon the practicability of storing coal in large and small quantities. It therefore solicited and received a large amount of testimony from such experts as George Otis Smith, Director of the Geological Survey, various coal operators, and from coal dealers on this point. As a result of this testimony and from information secured through correspondence, the committee entertains no doubt whatever but what practically every kind of coal mined in the United States can be stored safely, conveniently, and cheaply. The tonnage of coal produced which can not be stored satisfactorily is almost negligible. The committee is of the opinion that most of the testimony advanced to cast a doubt on the feasibility of storing coal is based almost uniformly on a disinclination to change the present hand-to-mouth policy under which the country now obtains its coal, scarcely knowing one day whether the next day's supply of coal will be available or not. It feels that this ultra-conservative attitude, in the face of constantly recurring coal famines, bringing unemployment and possible starvation in their wake, is entirely unwarranted.

Mr. FRELINGHUYSEN. Mr. President, in closing I wish to say that it requires no argument to show that freight can be moved in the summer months in this climate at less cost than in the winter months. It is also self-apparent that less coal is required in summer months than in winter months. Because of the latter fact there is greater demand for coal in winter than in summer, and if Congress gives to the Interstate Commerce Commission power to take such facts into consideration and to differentiate between summer and winter in fixing the rates, the tendency undoubtedly will be to stabilize the industry because men at the mines and the men engaged in the handling of coal can then be employed practically all the year round rather than steadily during certain months and only spasmodically during the rest of the year.

Senate bill 1807 is therefore properly designated as a bill to stabilize the industry—I am speaking of the other bill which I



have introduced—because its object is to secure information which will bring about a distribution of coal movement practically throughout the entire year rather than in great quantities during a few months in winter and in small quantities during the balance of the year. The objections of the bituminous coal operators are mainly that the Secretary of Commerce is authorized to secure information of "such intimate details of private business as costs and profits," and to make "recommendations for further legislation relating to mining, distribution, transportation, or sale of coal as they may deem necessary."

The primary purpose of the bill is to stabilize the industry and to secure all information necessary for that purpose. No information is more important than the cost of the coal and the profits which the operators are making. In ascertaining the cost, I assume that the Secretary of Commerce and the director would secure the cost for the different months, and, as coal is a prime necessity, if it was found that it could be mined at a lower rate in summer than in winter, it would seem then the duty of the Secretary of Commerce to try in every way possible to promote shipments of coal during the summer and the purchase by consumers during the summer. To bring about such purchases and shipments the Secretary can, under section 15, call to the attention of the public the fact that coal costs less in summer than in winter. What is more, the Interstate Commerce Commission can, under Senate bill 1806, prescribe lower rates for hauling in summer than in winter. There is, of course, the possibility that publicity and differentiation in rates may not bring about stabilization of the industry and may not promote increased purchases during the summer. The Secretary of Commerce is therefore given quite properly the power to which the bituminous coal operators make objection, namely, the power to make recommendations for further legislation relating to the mining, distribution, transportation, and sale of coal. It seems to me it would be almost idle to pass the laws unless the Secretary of Commerce is given just such authority. He is to collect information, examine it, and publish summaries of it when deemed for the public good, but if this should be found insufficient, would not Congress be remiss in its duty if it did not authorize him to make recommendations based upon the information collected by him?

Congress certainly has power to authorize the Interstate Commerce Commission to differentiate between summer and winter rates. Incidental to that power it has the right and it is its duty to authorize the proper department to collect whatever information may be necessary so that such power will be wisely exercised. Congress, therefore, in the due exercise of its powers may bring about an assembly of facts which have a most important bearing upon a prime necessity of life. If Congress is alive to its duty to the public, it will not pigeonhole information, but will use it for the public good. I think Congress has tried to safeguard private interests because it expressly excepts the publication of information "which would separately disclose the business transactions of any person and trade secrets or names of customers." If in regulating commerce it can also at the same time bring about publicity which will be of benefit to the public, it seems to me it should do so, and the fact that it proposes to do so, instead of constituting an objection to the bill should be viewed as a reason why the bill should become law.

Mr. KING. Mr. President—

Mr. FRELINGHUYSEN. I yield to the Senator.

Mr. KING. Before the Senator concludes I desire to suggest that when the Senate enters upon the consideration of the other bill referred to by him I presume the Senator will address himself more in detail to its provisions. I therefore premit any inquiries concerning that bill at the present time; but I wish to ask the Senator whether he would consent to an emendation of the pending bill by striking from page 2, lines 1, 2, and 3, the words "but which in the judgment of the commission will bear as nearly as may be the same annual revenue for like movement as rates without seasonal variation"?

Mr. FRELINGHUYSEN. Mr. President, I shall oppose such an amendment. I feel that the commission will have broad and ample powers in fixing summer rates. In other words, if we might apply the plan to the present conditions, suppose for July and August the commission should make a 25-cent reduction. Under a former plan if the commission should fix a seasonal reduction for July and August aggregating 25 cents it might gradually during the winter months increase the rates until they rose to 25 cents above the scheduled rates. Thus the commission would have the power of lowering the rates and raising them according to the season. I do not believe that the commission should be restricted in being fair to the railroads by being limited as to their power of increasing the rates. I believe, however, that if the commission should, in the exercise

of their judgment, reduce the rates during the next three months it would result in the storage of a considerable quantity of coal, and, if business conditions shall improve, such storage of coal will relieve the situation.

I would object to any change in the direction suggested by the Senator from Utah, because, I will say to the Senator, I do not think the power of the commission should be restricted.

Mr. KING. Mr. President, if the Senator will pardon me, I desire to say that I am not sure that I should favor the suggestion which I have made, and yet, following as best I could the argument of the Senator from New Jersey and the statement of the Senator from Iowa [Mr. CUMMINS], the chairman of the Committee on Interstate Commerce of the Senate, I reached the conclusion that it was materially advantageous to the railroads to have their cars, which are now idle, utilized in the summer; that they could haul coal cheaper in the summer time than they could in the wintertime. It occurred to me that if that were true the railroad companies ought to be willing to haul coal at a cheaper rate now without trying to recoup for that reduction by enhancing the price in the wintertime. If it is an advantage to them to haul coal in the summer time, why should we permit the railroads to add in the wintertime whatever advantage results to the consumer by a reduction of rates in the summer time?

Mr. FRELINGHUYSEN. It would seem as if the schedule rates which are figured upon the cost of hauling coal should be reduced in the summer time, when the cost of transportation increases in winter we should at least give the railroads an additional allowance. Would it not be well to leave that to the judgment of the commission, and let them, perhaps by some kind of missionary effort, induce the railroad companies to accept a reduction now, and not increase the rates in the winter?

Mr. KING. I should be willing to have that done if I should vote for the bill, but the Senator proposes to make this mandatory and to compel the commission to add to the rates in the wintertime whatever benefits have been given to the public in the summer time.

Mr. FRELINGHUYSEN. It was thought that that was fair.

Mr. KING. I confess to not having sufficient knowledge to justify an opinion which would be of any value.

Mr. FRELINGHUYSEN. A graduated scale was first proposed, not leaving it to the judgment of the Interstate Commerce Commission. Under that proposal 5 or 10 cents a ton would be added in the winter months, up to 25 cents, and then the rates would be reduced on a graduated basis, 5, 10, 15, or 25 cents a ton during the summer months. That made a fixed differential. Congress has never entered upon fixing rates in that manner, and the older members of the committee, who had studied the question, felt that Congress should not make a departure in that direction. It was a recognized principle if the Interstate Commerce Commission were to reduce the rates for the carrying of coal in the summer that a corresponding increase in the rates should be allowed in the winter as a matter of justice to the railroads.

Mr. KING. Mr. President, as I understand the Senator's position, the plan which he is advocating now inures to the advantage of the railroads in the summer and it inures to their advantage in the winter, because it augments their charges in the wintertime. It will not, I think, benefit the domestic consumer in the summer, because he is not the one who will take advantage of it, and it will be to his disadvantage in the winter, because he will have to pay the increased freight charges.

Mr. FRELINGHUYSEN. I do not take that view of it.

Mr. KING. My conclusions may be wrong; I hope they are; but it occurs to me that the amendment which I have suggested is worthy of consideration.

Mr. FRELINGHUYSEN. Mr. President, I wish to say, in conclusion, that for two years the Committee on Interstate Commerce has made a study of this question, I being chairman of the subcommittee. I have seen conditions threatening this country that probably might have resulted, had it not been for certain preventive measures that were taken, in the people in many sections starving and freezing. A severe climatic condition existed year before last during which millions of tons of coal were frozen up on the sidings, and unless strenuous efforts had been made by the railroad authorities, by issuing priority orders and seizing the coal, a serious condition might have ensued. I have seen industries closed or operating on half time, three days a week, in my State; I have seen people suffering from cold. I myself during a portion of one winter ran an automobile in the city of Washington to assist in delivering coal that was contributed by a rich and generous man of this city. I have seen coal men come here asking for a solution of their problems, trying to find some one in the Govern-

ment who was authorized to pay some attention to their interests. In the lobby of the Senate Chamber a large group of men came to me and said, "We have bought coal from the operators; we have sold it under contract; the Government has that coal in the cars; we can not get paid for it; and we will go bankrupt unless somebody pays some attention to our interests." I went to the Federal reserve bank with those men and arranged for them to get the accommodations necessary to carry them through that crisis.

I have seen the people in my section of the country suffering for want of coal, because of the problems and conditions which have caused coal to mount to \$25 a ton, when by some wise management, proper organization, and system, and if there had been some one to direct this great confused mass of industry and activity, that condition could have been avoided. It is my opinion that legislation is necessary to centralize at least the policy of this industry. I seek in no way to interrupt its continuity, its success, and its prosperity; but I do say that such conditions in this country must be rectified, and the people of the country expect us here and now to rectify them. The coal operators, of course, can come here, and a willing ear is lent to their pleas that nothing be done to interfere with their business; but what of the man back home, who is compelled by reason of unnatural economic conditions to pay from two to three times what he ought to pay for his coal? When the condition existed under which \$25 a ton was being charged for coal there was ample coal in the country and a sufficient number of miners to mine it, but there was not sufficient transportation at that time. If there had been somebody under this Government who could have told the people that there was plenty of coal, and told them to wait, it would have avoided the buyers' panic which ensued. To allow a condition to exist in this great country, of whose industrial, commercial, and financial activities we are so proud, under which, while we mine and consume annually 500,000,000 tons of coal, we yet live from hand to mouth, without provision being made for a catastrophe such as a strike or bad weather conditions, in my opinion, is a reflection on the intelligence of the statesmanship of the United States.

Therefore, through a sincere desire to pass certain constructive legislation, I have proposed this seasonal freight rate bill and I have proposed the publicity bill, placing in the Department of Commerce, where it belongs, a study of this question; a study of the question of storage; a study of the question of statutory zoning to avoid this crisscrossing and this uneconomic and costly condition that exists in the railroads; a study of the question of a centralized bureau to buy our coal here for the Government service, for which we buy 8,000,000 tons a year; a study of the question of costs and profits, so that the public may know the reason why they are paying this high price for coal. They have a right to know it.

It is with that sincere desire to pass constructive legislation that I have introduced these bills. Let the critics who oppose them produce remedies themselves rather than criticize this constructive effort on the part of the Committee on Interstate Commerce to pass legislation to relieve this condition.

Mr. KING. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The roll was called, and the following Senators answered to their names:

Ashurst	Gerry	McNary	Spencer
Ball	Gooding	Moses	Stanley
Brandeggee	Hale	Myers	Sterling
Broussard	Harrell	New	Sutherland
Bursum	Harris	Nicholson	Swanson
Calder	Harrison	Norris	Townsend
Cameron	Johnson	Oddie	Trammell
Capper	Jones, Wash.	Overman	Wadsworth
Caraway	Kellogg	Phipps	Walsh, Mass.
Cummins	Kendrick	Polindexter	Watson, Ga.
Curtis	King	Pomerene	Watson, Ind.
Elkins	Knox	Ransdell	Williams
Ernst	La Follette	Sheppard	Willis
Fernald	McCumber	Simmons	Wolcott
Fletcher	McKellar	Smith	
Frellinghuysen	McKinley	Smoot	

Mr. GERRY. I desire to announce that the senior Senator from Alabama [Mr. UNDERWOOD] is necessarily absent, attending the funeral of Alabama soldiers at Arlington Cemetery.

The PRESIDING OFFICER. Sixty-two Senators having answered to their names, there is a quorum present.

Mr. POMERENE and Mr. McCUMBER addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. POMERENE. Did the Senator from North Dakota wish to address himself to this matter?

Mr. McCUMBER. No, Mr. President. I had given notice that I should speak at this time upon the soldiers' adjusted compensation bill, and I assume that I can go on at this time.

Mr. POMERENE. I was not aware of that fact. I expected to address myself to the bill now pending before the Senate; but under the circumstances, as the Senator has given that notice, I shall not presume to interfere.

Mr. McCUMBER. I thank the Senator.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

#### ADJUSTED COMPENSATION FOR VETERANS OF WORLD WAR.

Mr. McCUMBER. Mr. President, I gave notice some two days ago that I should speak to-day upon Senate bill 506, the soldiers' adjusted compensation bill.

I think it but fair and just to each one of my associates on the Committee on Finance to say that while the report which I have filed received their unanimous approval, and the bill as amended had no vote against it, the remarks which I shall submit to-day, not having been submitted, of course, to the committee, express my individual reasons for supporting the bill and may possibly in some respects be counter to the views of some members of the committee. They are my views, and I shall assume sole responsibility for them.

Mr. President, the general assumption that the enactment into law of this bill will immediately load billions of dollars upon an already overtaxed public is without any foundation whatever, and I wish in the very beginning to set at rest any such fears. The bill as it is reported will not call for the expenditure of any sum of any consequence before July 1 of 1922. The amounts which will be payable beginning at that time will be scattered over 20 years. I am certain, under the testimony which has been given, that it is a safe estimate that not more than 20 per cent of the war veterans will adopt the cash plan proposed in the bill; and if that should be the case, and 80 per cent should adopt the insurance plan, then the cost in any one year would not exceed \$200,000,000. If every soldier entitled to receive benefits under this bill, if enacted into law, should select the cash-payment basis, the cost to the Government would be but \$1,560,166,330, and would be payable in \$50 quarterly installments to each soldier, thereby running over two years and a half; so that even on the cash-payment basis the draft upon the Treasury would not be heavy.

If, as I have suggested—and the testimony bears me out—about 80 per cent will, in all probability, accept the insurance plan and only about 20 per cent the cash plan, the amount which would be payable in 1922 would be \$108,898,000; in 1923, \$200,737,000; in 1924, \$118,000,000; and the amount would then be decreased down to 1935, when there would be no cost; but, assuming that one-third would borrow the full amount they would be entitled to borrow under their certificates, there would be something coming in to the Government at that time and the principal amount would be payable about the first of the year 1943.

Mr. POMERENE. Mr. President, I was attracted by the Senator's statement that perhaps 80 per cent of the men would accept the insurance plan and 20 per cent the cash plan.

Mr. McCUMBER. Yes.

Mr. POMERENE. I wondered upon what the Senator based that conclusion.

Mr. McCUMBER. The facts upon which I base that estimate will be found in the report itself. Of course, I did not attempt to quote the testimony in the report. I am informed by the head of the American Legion that if this bill becomes a law they will have at least 3,000 men in the field, all advising, so far as possible, that Title III of the bill be accepted; and the fact is that that title gives such advantages over the cash payment plan that any reasonable man would accept it, unless he was extremely hard pressed for ready money and would be willing to sacrifice great benefits in order to have a little cash at a particular time.

Remember, Senators, that under the cash plan no soldier draws all of his money in one installment; he can not receive more than \$50 quarterly, and it would be paid running over a period of from two to two and a half years.

I have formulated tables, which I included in the committee report, and I ask that those tables may be inserted in the Record at the close of my remarks.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. McCUMBER. These several tables, based upon different assumptions as to the number who will accept the several plans, will give a rather clear idea of what it, in all probability, will cost the Government each year for 20 years if this bill is enacted into law.

Mr. President, I wish now to deal entirely with the merits of the bill.



In asking Congress to enact into law the provisions contained in this soldiers' adjusted compensation bill we are seeking not only to fulfill a present financial obligation but also, so far as we can, to initiate a future policy that will avoid the necessity for such remedial legislation should another war occur.

This great world conflict has demonstrated more clearly than ever before that the onus of war, its burdens and duties, rest with equal and impartial weight upon the shoulders of every unit composing national entity. War is no longer dependent alone upon the strong arm and valiant heart of the warrior. In every future conflict the telling force will be the industrial prowess that supplies and nerves the soldier's arm. War will become more and more the pitting of the industrial greatness of one nation against the industrial greatness of another. Chemistry will combat chemistry, and the arm of valor will fall palsied before the poisoned breath diffused by cunning alchemy.

It is reported that Napoleon once said that the god of war was always on the side of the army with the greater artillery. The Napoleon of to-day will declare that the god of war is always on the side of the nation with the greatest and most independent industrial organization, weaponed with the deepest lore in the art of insidious murder.

In time of war the mobilization of our industries is not one whit less important than the mobilization of our armies. The duty to bring our fighting force up to the highest degree of perfection is not one whit more important than the duty to bring our mobilized industries up to a like degree of perfection. It therefore follows that in time of war the duty of every man employed to make shells, to make as good ones as he knows how to make, and to make as many as he possibly can make in a day, is, before God and country, just as sacred and obligatory as the duty of the soldier to fire those shells and to fire them as accurately as he can. And the man who makes those shells has no more right to say to his country in the throes of a desperate war, "I will not make these shells unless you give me \$10 a day," than the soldier would have to say, "I shall not fire those shells unless you pay me the equivalent of \$10 per day." And the contractor who, taking advantage of the criminally foolish "cost-plus" plan, and seeking to enrich himself by encouraging slacking and idleness and thereby delaying and enormously adding to the cost of Government war supplies, is just as much a criminal at heart as the general who surrenders his army to the enemy for a financial compensation.

The country's cause, Mr. President, is the cause of every citizen of that country, and not of one group only. In the stress of war every pound of energy, every drop of blood in the veins of the individual, belongs to the threatened State. The civilian selected to make the gun is entitled to no indulgence which is denied to him who is selected to shoulder that gun. In time of war every male citizen capable either of bearing arms or performing service of any character is a soldier of his country, in duty bound to give the very best there is in him, whether selected for civil or military employment, and so far as possible for equal compensation.

Had we followed that simple, sound, and everlastingly just principle during this World War it would not have cost us to exceed one-fifth of what it did cost us. The taxes actually paid in cash would have been sufficient to cover all our expenses and short-time securities only would have had to be issued until the taxes to meet them could have been collected. Had we followed that principle it would not have been necessary to issue long-time bonds requiring a billion dollars a year to meet their interest alone. Had we followed that principle this bill would never have been before the Congress of the United States.

Condensing this acknowledged principle into a single sentence: The patriotic duty as between soldier and civilian being concurrent and equal, the right of the soldier who offers his very life with his service to receive a compensation equal at least to that of the civilian who risks neither life nor limb inevitably follows. And mark you, Mr. President, if there is another great war, that principle will be invoked. We took the first great forward step in acknowledging that principle of duty and equality when we enacted the selective draft bill, imposing military duty upon every male citizen between the ages of 18 and 45 alike, thereby declining to accept the voluntary sacrifice of one citizen and relieving his less patriotic brother from like service. But we worse than flagrantly abandoned that principle of equality when we allowed the stay-at-homes to not only reap enormous financial advantages over the soldier but to reap them at the expense of our Army and its proper equipment and supplies. The soldier suffered because of this abandonment and the bill before us is to partially compensate him for his loss. It is not a bonus bill. It is not a gift or gratuity. It is a compensation in part payment of a debt of the highest moral obligation.

Mr. President, most of our soldiers were compelled to spend months in the several cantonments of this country before they had an opportunity to go to the front. To bring home to you the justice of this proposed adjusted compensation I want to picture to you just what these soldiers looked upon day after day. I can better illustrate it by describing what you and I looked upon every day in the construction of the hundreds of temporary buildings which were being erected upon the Capitol grounds and down on the Mall.

What we there observed we found to be the almost universal rule over the whole country—in every shipyard and wherever Government work was being conducted and at a time when the very life of the cause for which we were battling depended upon our getting ships afloat to meet the U-boat ravages. Any man who could saw a rough board or drive a nail could, and did, qualify as a carpenter and received his \$10 per day whether he was 50 per cent efficient or 5 per cent efficient. Of the force employed in the construction of the buildings I have mentioned, not more than one-third were in action at any given moment. I never saw a single shoveler in digging shallow trenches for the foundations move more than three shovels of earth before stopping to take a rest or visit, and generally not more than two. I have seen eight men—as many as could get hold of a 2 by 6 fourteen-foot joist—slowly move one after another from a loaded truck, carrying them some little distance and gently laying them down. Two good men could have unloaded them in half the time.

These carpenters of whom I am speaking received their \$10 a day for week days and \$20 a day for Sundays and holidays, so they all worked Sundays and most of them laid off on Monday to make the snap last longer.

Testimony shows that work in our shipyards was far below 50 per cent efficient, though the wages were increased 300 per cent and more.

The blood of the patriotic soldier must have boiled with indignation to feel that while his Government estimated his services, including his board and clothing, at about \$3 per day, with all the risks and all the hardships, it slyly submitted to—nay, it invited by its form of contract—the immense increase in the wages and profits of civilians which we knew and the soldier knew must be measured by a Government bonded indebtedness which he upon his return from conflict must help to satisfy.

Mr. President, it is impossible to fully and fairly present the soldier's side of this case, the iniquities and inequalities which he endured in comparison with his stay-at-home brother, without also presenting the policy adopted in financing and supplying our war needs and the disastrous results of that policy. Much as we should like to forget those worse than blunders, inasmuch as they are the basis of this proposed legislation—the reason for its enactment—they must have passing notice.

The great majority of the American people have but a hazy idea of the fundamental policies adopted in raising the funds for the production of war supplies.

The war administration started out with the determination to satisfy the demands of both organized capital and organized labor, whatever their demands might be, and leave the public to foot the bill, which it has done and will continue to do in exorbitant taxes and extortionate prices for many, many years to come.

This administrative policy might more aptly be described as playing both ends against the middle, the two ends being capital and labor and the middle being the paying public.

Our war administration not only allowed but absolutely encouraged the most scandalous profiteering on the part of both capital and labor. It permitted excessive profits on the part of capital and then levied heavy taxes against the profiteer, dividing the spoils on a sort of 50-50 basis. But, Mr. President, the public in the end paid both 50's, as all big taxes and all big profits must be paid by the ultimate consumers. After paying these heavy taxes, capital, in supplying the Government war needs, which included nearly every product, came out of the few months of war with a rotundity many times bigger than when we went in. We have 50 millionaires in the country now where we had 1 before the war, and the millionaires in existence before the war are now many times multimillionaires.

But do not imagine for a moment that all the profiteering was on the part of the capitalists. Human nature is the same in every class. If one class operated on a bigger scale the other equaled it by its greater number. While our soldiers were dying in camp with pneumonia for want of proper clothing and shelter, the worst slacking ever allowed in any country was permitted to go on unrebuked. Scarcely had the Government consented to the demands of strikers for one raise in wages than another demand was immediately made, another strike organized, and

again and again the Government surrendered. And just to the extent that wages went up efficiency and production went down. The administration virtually said to contractors, "Pay any price that may be demanded for material, and any wage that may be insisted upon. You will not be called upon to advance a single penny. The Government will put up the cash for both, and whatever the cost may be, will pay you a 10 per cent bonus on the entire cost for just standing by smiling and seeing your Government filched of billions. The more you can make it cost the Government the more you get out of it."

That, Mr. President, was the "cost-plus" system adopted by the war administration. Was it any wonder that men were encouraged to become slackers? Was it any wonder that when they knew that these favored contractors were thus gold-lining their pockets, it created in their hearts a craving to take like advantage of their Government's necessities? Was it any wonder that whenever they threatened to strike for higher wages their demands were immediately met? The contractor could not afford to close such a gold mine. He believed in taking while the taking was good.

I am more than conservative when I declare that, making every allowance for excusable errors—and in the hurry of preparation there must necessarily be many—the expense of this war has cost the American people at least five times what it should have cost them. It cost us for one year of our participation in the contest far more than it cost France for four and a half years and with three times the number of men actually engaged in the conflict. And, just remember that we got to the front only about half of our men and their small arms. Our soldiers were, for the most part, transported by British vessels and supplied from French and British war stores. Our average daily expenditure for each man under arms was four times that of England, six times that of France, and ten times that of Italy. There was no earthly excuse for this colossal difference. Of course, if we were dealing only in millions or a few hundred millions, we might not complain. But when we multiply many billions by five and contemplate this mighty load unjustly imposed upon us and on future generations we have a right to carry in our soul a just bitterness against those who permitted such gross wrong. But many of you say that the Government could not help itself. It was compelled to submit to these impositions.

Mr. President, the Government that can take your boy and compel him to stand for days waist deep in mud in the trenches until he dies of exhaustion, or to charge into a crater of hell to a sure death, has power to take your property, paying you a fair value, without being held up. This power, inherent in every nation, was extended and ratified by special legislation. I do not recall a single instance in which this right of eminent domain was exercised except as against the wheat raiser, who seems always to be selected as the goat.

But you may ask, How could the Government have protected itself from these profiteering pirates? I answer:

First. A Government that could not protect itself in time of war as well as in time of peace would be worse than a failure. It could have done so. Its failure to do so was a most grievous offense, not only against this generation, not only against every soldier in the field, but against every child of the future which must bend its back to the yoke of taxation.

War powers, Mr. President, are almost without limit. Acting under this sovereign war power, the draft law, which declared that every male citizen between the ages of 18 and 45 should answer the call to battle, was enacted. The boy or man selected under that call could not answer: "I really do not like that kind of employment and, therefore, decline to soldier. Furthermore, I will not serve for \$30 per month and board and clothing, and if I consent to serve at all I shall insist upon an 8-hour day and Saturday half holiday. And if the employment proves disagreeable or hazardous, I reserve the right to quit individually or to call a strike for higher pay or more agreeable conditions of war."

No, Mr. President, under its sacred duty to preserve the honor of the Nation, the Government simply said to this boy or this man: "Come on, this is your wage. Your hours of service may be 24 or as much longer as your power of endurance can stand. The exigencies of war may be such that you may be commanded to meet certain death. You shall obey every command without a murmur, and if you refuse to obey or counsel others to so refuse, your only answer will be the firing squad."

Now, do you mean to suggest to me that the Government which exercises this power of life and death over every boy selected, for sacrifice if need be, could not take from a merchant or manufacturer the cloth to make that boy a uniform without being held up for four times its value? Is it possible that the Government which fixes the wages of the soldier boy, who must stake his very existence in his compact, has no control over the

wages of those who remain out of danger and who are called upon to supply the Nation's demand in the prosecution of the war? Is it possible that the Government which can exact service of the soldier to the limit of endurance, aye, to the very limit of his young life, is impotent to exact a full, honest day's service for a full, honest day's pay from the stay-at-homes? Is it possible that it must stand idly by while inefficiency and strikes, hindering the supply of proper shelter, clothing, or medicines, allow thousands to die in cantonments or force the soldier to go into battle half supplied or equipped, as on the battle fields of France, where the enemy's war planes hovered over our forces and reported every movement and the location of our artillery, while we had not a single war plane of our own to meet theirs or a single scouting plane to locate their lines or report their movements?

There is but one common-sense answer: The service duty of the stay-at-home is not one whit less than the soldier duty of those who are called. It was not only the right but the highest moral duty of the Government to require full and complete service to supply its soldiers in the field and also to protect itself and the public from every character of profiteering. Its failure to do so, to my mind, was a crime against all.

What, then, should the war administration have done the moment war was declared?

First. It should have declared that it would not pay one cent above the splendid peace prices which then prevailed over the country for what it might need during the war, and if goods were not freely offered for such prices, then it would deposit the full value to the credit of the owner and take the property. That alone would have held every commodity, and consequently every wage, to the prevailing peace standard.

Second. That it would not allow the public to be charged a price above the Government standard. There is no use, Mr. President, in saying that it could not do this, because it did exercise both these powers over the farmer's wheat and over the miner's copper. It said to every miller and every purchaser of wheat: "You are allowed to pay just so much for your wheat and to sell your flour for just such a price, and if you pay or charge more your license to do business will be revoked." Without such action wheat would have advanced to \$5 per bushel. What the administration did with wheat and copper and some other articles could just as well have been done with every other commodity. As it was, while the administration held the farmer's product down to half what would have been its market value, as fixed by the law of supply and demand, it permitted everything which the farmer must buy to advance from two to five times its prewar value.

Third—and this is the important proposition. The Government should not have limited its authority to those only whom it singled out and put into the ranks, but should have maintained the same authority over all. When the Government officials drew from the list of eligibles the name of Mr. A, and said to him, "You are drafted for the ranks to fight for your country for \$30 per month," it should also have said to the other eligible, Mr. B, selected to stay at home, "You will be permitted to continue any useful work at your present good wages, but you must give full and fair service so as to properly support the soldier in the field, and if you are needed on railway or in shipyard or munitions plant, you will be summoned there. Your wages shall not be reduced, neither shall your efficiency be reduced."

Had we followed that course, we would not have conjured up this spirit of demoralization or invoked this reign of unrest, but with only a comparatively small increase in indebtedness and consequent taxation, and with our efficiency and productivity increased rather than decreased, we should now be enjoying a natural and healthy prosperity that would be assured for many years.

Early in the war I introduced a bill, Senate bill 3586, to draft into the military service of the United States all male citizens over 18 and under 62 years of age as a reserve army, making all who were not selected under the draft law for military service subject to call for any service required by the Government, and at Government wages. It should have been enacted into law. As our selective draft law was a great step in advance of the old volunteer system and was based upon the theory that every man owes the same duty to his Government, so in our next great war we shall insist that the duty to supply the soldier in the field is just as unassailable as the duty to bear arms. And the Government will exercise the same control, for the sake of efficiency and economy, over the civilian, whose duty it is to produce for the Army, as over the soldier, who must depend upon such production.

Mr. President, we always want to satisfy our obligations for equity's sake alone. Our conscience is never quieted while there



remains against us an unsatisfied debt, whether it be legal or moral. We should hold our country to the same standard of rectitude.

We know that standard was not maintained, but, on the contrary, Mr. President, when the soldier returned from the front he found that his home-staying brother had been receiving from two to four times the monthly stipend which he had received. He further found that this extraordinary home wage, coupled with wastefulness, extravagance, and profiteering, had enormously added to our bonded debt, which is, even at the present time, including short-time certificates, about \$24,000,000,000. He found vast increases in the savings accounts and many other evidences of gain in which he had no share. He had none of these opportunities for large gains and increased savings which always come with sudden currency inflation and high wages. He found his old position held by another. The two years of absence at his time of life necessarily, to a certain extent, unfitted him for an immediate entry into his old occupation.

The principal thing, however, which he found awaiting him was an enormous bonded indebtedness of his country which he must shoulder with others, although he had no share in the high wages and big profits which had piled that indebtedness mountain high. Without any of the benefits which always flow from vast inflation of currency, he returned to share all of the hardships that necessarily occur during a period of deflation and business depression.

Therefore, Mr. President, leaving out of the computation every vestige of sentiment, every element of gratitude, and applying only the rigid rule of mathematical equation, we can not deny that by allowing the man who fought for his country, who placed his life in pawn for his country, the increase in his compensation provided for in this bill, we are still giving him for his services with all the consequent risk and hardship a compensation much below that which the common laborer in the United States received during his absence. It seems to us that justice, no less than gratitude, demands this adjustment. Great as it seems to be when crystallized into dollars and cents, we are compelled to admit that it is much less than is actually due the soldier selected for military duty as compared with that which was received by his countryman who performed civil duties only.

But there is another and, to me, a very weighty reason why I especially urge upon Congress the fulfillment of this moral obligation to our soldiers of the World War.

Mr. President, if there is any one thing in this world which engenders discontent it is the sense of an injustice, and the pathway of discontent, flowered by envy and hate, generally leads into the ignis fatuus of the seemingly ever-green fields of paternalism, only to end, however, in the stagnant realm of socialism, the cemetery of ambition, the sepulcher of every hope and aspiration, the graveyard of individual initiative and self-reliance, where humanity itself, with all its intellectual glory and achievements, disintegrates and decays.

Mr. President, what the country needs to-day and what it will need during the formative period of a new social and industrial era is a patriotic and courageous conservatism. Were I asked what class of our citizenship would give us the greater proportion of men who would measure up to this requirement, I should unhesitatingly declare the American soldier. The veterans of the Civil War have been the very backbone of safe and sane conservatism during the last half century. The young soldier of to-day, imbued with the same patriotic sentiments, will carry the banner of progress along the same highway of individual and national greatness. I know of no higher or safer standard of American citizenship, its consecration and its duties, than that contained in the preamble of the constitution of the American Legion:

For God and country, we associate ourselves together for the following purposes:

To uphold and defend the Constitution of the United States of America; to maintain law and order; to foster and perpetuate a 100 per cent Americanism; to preserve the memories and incidents of our association in the Great War; to inculcate a sense of individual obligation to the community, State, and Nation; to combat the autocracy of both the classes and the masses; to make right the master of might; to promote peace and good will on earth; to safeguard and transmit to posterity the principles of justice, freedom, and democracy; to consecrate and sanctify our comradeship by our devotion to mutual helpfulness.

Senators, to-day you and I, to the best of our ability, guide the destinies of our country. To-morrow our places will be filled by the veterans of the great World War. I could wish for no sturdier or safer successors. But, Mr. President, I want them to come into the halls of legislation with the feeling that they have been treated with exact justice by their country. I want no soldier to feel that this is not a just Nation, and that he must look for greater equity in a further extension of governmental activity into fields heretofore held open for the exercise of individual energy and capacity—those fields in

which alone is developed the highest type of manhood and womanhood. Mr. President, I want him to continue to inculcate the principle of greater individual obligation to the State and less dependency of the individual upon the State. I want him to still inculcate the true doctrine of government, that the State is his creature and not his creator, and that it is possessed only of the intelligence and character with which he endows it; that when the individual asks the State, his own creature, to relieve him from his own initiative and responsibility, his unused faculties must rapidly become abortive and the whole State and society must soon sink to the level of his own incapacity.

In my report, Mr. President, I have explained very fully the several features of the bill, and by a system of tables have indicated the cost to the Government under different assumptions as to the number who might make application for each of the several benefits proposed in the bill.

The purpose of the bill is to allow as adjusted compensation to the veteran \$1 per day for each day's service in the United States, and \$1.25 per day for each day's service overseas. Inasmuch as at the close of the war the soldiers were given extra pay of \$60 each, there are deducted 60 days from the total service of each veteran.

Title II, the cash plan, called "adjusted service pay," provides a cash payment for these days of service. If the payment is \$500 or over, it is to be made in 10 quarterly installments. If less than \$500, it is to be paid in quarterly installments of \$50 each.

Title III, adjusted service certificates, gives the veteran the option to take insurance payable at the end of 20 years. If he chooses this insurance plan, he will receive as the basis of his adjusted certificate a sum 40 per cent greater than the cash plan, and this sum will bear interest at the rate of 4½ per cent per annum, compounded annually. In the event of his death prior to 20 years, his estate will receive the amount of such adjusted certificate and interest compounded annually for 20 years.

Title IV, vocational training aid, entitles the veteran to receive vocational training at the expense of the Government to an amount equal to his adjusted service pay plus 40 per cent.

Title V, farm or home aid, allows the veteran to receive from the Government the adjusted service pay plus an additional 40 per cent, to be applied toward the purchase price of such home or farm.

Title VI, the land settlement aid, gives the veteran preference right to take lands on the opening of public or Indian lands to entry, or the restoration to entry of public lands, and on all reclamation projects now in existence or hereafter established.

The veteran at his option may select any one of these plans.

Of course no one can say definitely just what proportion of the soldiers will apply under the cash payment plan. The greater the number that applies under that plan, the less the cost to the Government. My own judgment, which is also supported by the testimony, is that probably 80 per cent will accept the insurance plan, or its equivalent, and that not to exceed 20 per cent will apply for the cash.

Before the veteran makes his application he will have been fully informed not only by the department itself but through the several soldier organizations just what each plan means to him. And when he understands that under what is known as the cash plan he will not receive the whole sum at one time, but that it will be scattered over from 2 to 2½ years in installments, and further understands that if he accepts the adjusted certificate plan, he will not only receive a paid-up insurance for 20 years, but that at the end of 2 years he can borrow 90 per cent of his adjusted pay, plus 4½ per cent interest, and at the end of 5 years can borrow 80 per cent of his adjusted certificate, plus 4½ per cent interest, the vast majority will apply under the adjusted certificate plan. Assuming that 80 per cent will apply under that plan and 20 per cent under the cash plan, and also assuming that about one-third will borrow against their certificates, there will probably not be any year in which it will be necessary to raise more than \$200,000,000 to meet the obligations of this legislation until the year 1943.

Mr. President, I do not think it will be necessary to raise another penny by taxation. Steps have already been taken to fund the obligations of our allies to the United States in long-time bonds. If we should eliminate all that is owing us except that which would come from Great Britain, France, Italy, and Belgium, the amount of the indebtedness of those four countries alone, with interest up to date, would be more than ten billions of dollars. The interest upon that ten billions of dollars will almost doubly take care of the amount which would be due under the certificate plan, on the assumption that 80 per cent

would accept that plan, and will more than take care of any amount that would be due under the cash plan, even though every soldier entitled to receive payment under that plan should accept the cash-payment basis.

Mr. President, if I could speak to every veteran of the World War, I would urge him most earnestly to make his application under Title III, the adjusted certificate plan. He will receive at least 40 per cent more under it than under the cash plan. He will have a paid-up insurance for 20 years without one penny of additional cost, and can borrow against his certificate, if he needs the money to secure a home or for any other purpose, more than the whole sum he would receive under the cash-payment plan, and can borrow it at a very low rate of interest. Nevertheless, Mr. President, I would still urge upon him never to borrow against it but to hold it as an insurance only for the 20 years.

Mr. President, even though our action calls for an outlay from which we would gladly escape, and will enforce greater economy along other lines, let us not delay the fulfillment of this, to my mind, sacred financial obligation; and let a future Congress see to it that in any future war there shall be no distinction made or allowed between the patriotic duty of the soldier and that of the civilian, and that industrial slacking and profiteering shall be visited with as heavy a penalty as draft evasion or desertion. We will then conduct war upon a just and proper basis, and there will be no further call for remedial legislation of this character.

Mr. HARRISON. Mr. President, will the Senator yield for a moment before he takes his seat?

Mr. McCUMBER. Certainly.

Mr. HARRISON. I understand that a good many representatives of the American Legion have appeared before the Senate committee and I know before the House committee that had this matter under consideration, and that those committees have received a number of letters written by soldiers on the subject of this bill. Can the Senator give the Senate any idea, from those letters and from the expressions of the soldiers through their representatives who have appeared before the committee, what per cent of them will avail themselves of this adjusted compensation feature and take insurance or a cash bonus?

Mr. McCUMBER. I will say that I think less than 10 per cent of the veterans of the war, especially those who have not kept in close touch with the legislation, understand just what the cash plan is or what the insurance plan is. I judge that from letters, and so forth. There seems to be a general assumption that under the cash plan the soldier can receive the entire amount at one time immediately after he has made his application. He seems not to have been informed of the fact that under either the House bill or the Senate bill or the bill that passed the House in the previous Congress the cash-plan payment would be scattered over two years and a half, as I have said, and that the most he could receive would be \$50 quarterly, and that at the end of two years, almost as soon as he could have received the full amount, if under \$400, he could borrow on an adjusted certificate an amount that would be as much as he would receive under the cash plan at one time, and still maintain his insurance, his interest of 4½ per cent being equalized against the 4½ per cent which the Government allows him upon his adjusted certificate.

Mr. HARRISON. I did not hear all of the Senator's remarks. Under the House plan, when would the payments begin to operate?

Mr. McCUMBER. Under the old bill they were to begin to operate on January 1, 1921. Under the bill which is now introduced and is reported, the cash payment will begin to operate upon July 1, 1922.

Some Senators thought that was rather a long time; but we must remember two things: First, that it will require some time before we can get the records required under the bill and get into operation in our departments the necessary steps to give the soldier the information, and give him time to apply. It would require thousands of extra clerks, if we want to make it, for instance, in six months. This will give us, we will say, an allowance of about six months for the departments to get ready to give all the information; will give six months for the American Legion and other associations to get ready and inform the soldiers themselves of their rights and what is for their best interests; and then will give the soldier himself six months to determine which plan he will take advantage of.

But in the case of building a home, buying a farm, or taking advantage of the title in reference to vocational education, he may begin immediately after his application is filed to receive payments thereunder.

Mr. HARRISON. What I wanted to get definitely in my own mind was that under the bill which passed the House last year, and which was before the Senate, the cash-bonus feature applied immediately, did it not?

Mr. McCUMBER. The succeeding January.

Mr. HARRISON. It would have made it apply from January 1, 1921?

Mr. McCUMBER. Yes.

Mr. HARRISON. But this bill makes it apply from July 1, 1922?

Mr. McCUMBER. Yes.

Mr. HARRISON. Which is some 13 months off. Where does the Senator get his six months' proposition?

Mr. McCUMBER. I have stated I consider that after the bill passes it will take about six months for the departments to get ready to send out and receive the applications, unless you provide them with several thousand additional clerks, and it would take them very close to six months, even though they had those clerks, before they could get the data and get the statements made and the blanks and everything ready to send out to the soldiers. Then we want to give the soldier some time to determine which one of the plans he will select.

Mr. BORAH. The soldier has had two years and a half already.

Mr. McCUMBER. The soldier has had no bill of any kind, either two years and a half or two months and a half or two days and a half.

Mr. HARRISON. He thought he had one. The Senator thinks it would take six months for the departments here to organize and get started, but if we should pass the bill this month, during the six months he would have the soldier could determine, even though some may think he has not had time to determine, what plan he would choose. So could we not make it the 1st of January, 1922, and still have ample time in which the soldier could be informed and the forces could be organized?

Mr. McCUMBER. I do not think so, Mr. President, considering the time we would probably get this bill through, which, of course, would not be before July 1. We have also taken into consideration the matter of sums becoming due which must be met during the next fiscal year.

Mr. HARRISON. But I understand it would take very little during the first year.

Mr. McCUMBER. I want to say to the Senator that those who represent the legion, and others, have indicated their satisfaction with the bill as it stands. The Senator from Mississippi and other Senators have indicated to me that in their belief a vast number would take the cash-payment plan. I hope they will not. I think it will be greatly to their interest to take the certificate plan.

Mr. HARRISON. I agree with the Senator.

Mr. McCUMBER. I want them to take that which will be for their best interest. The American Legion itself desires to organize and present the matter thoroughly to the soldier for the very purpose of getting him to select anything but the cash plan, any one of the others, believing that it will be for his best interest. They intend to put men in the field for that purpose.

As to whether the Government can possibly meet this before July 1, 1922, is more or less conjectural. Undoubtedly, if the Government sets out to do it, and makes it by that time, it could raise the money to do it; but I believe, considering the state of the Treasury, and the enormous sums we will have to pay, and the time it will probably take before we will get any interest upon the debts due from foreign Governments to ourselves, it would be better to let those who desire to take the cash plan have their payments begin in 1922, because we must remember that those who are seeking the insurance plan make their applications, and if they are made 15 days before January, their rights would take effect the 1st day of the next January; if beyond that, the 1st day of the next July.

Mr. HARRISON. Does that apply to the cash bonus, too, to make it apply the 1st day of January, 1922?

Mr. McCUMBER. No; the cash plan, as I have stated, under the bill begins on July 1, 1922.

Mr. HARRISON. Has the Senator suggested in the course of his remarks the difference between this bill and the bill which passed the House?

Mr. McCUMBER. I have stated it in the report which I made and the reasons for the changes.

Mr. OVERMAN. Does the Senator set forth in his report all the different plans?



Mr. McCUMBER. Yes; in the report the Senator will find the different plans and an estimate made on the assumption, first, that every soldier would take the cash plan. We then make an estimate, with the assistance of the actuary of the Treasury Department, Mr. McCoy, to determine just how much will become due each year until it is paid up. Of course, that will be about two years and a half. Then you would pay the whole sum, and the whole sum would be about a billion and a half, to be paid in two years and a half, and that would be the end of it. But, of course, I believe the majority will accept the certificate and insurance plans.

Then we have made out a table on the assumption that 80 per cent will take the insurance plan and 20 per cent the cash, then upon the assumption that 66 $\frac{2}{3}$  per cent will take the insurance plan and 33 $\frac{1}{3}$  per cent the cash, and then on the assumption that one-half will take each. We have given just what it will cost the Government each year under each of these supposed selections, and each Senator can use his own judgment as to about what it will cost the Government each year; but I think it would be helpful if Senators would read the testimony that was taken in arriving at their judgment.

Mr. OVERMAN. The insurance plan must be very attractive if the Senator thinks 80 per cent of the soldiers will take that instead of the cash. If it would not impose on the Senator, I would like to have him tell me why he thinks the insurance plan would be taken by 80 per cent instead of the cash plan.

Mr. McCUMBER. I stated why in the report, but I will reiterate it.

Mr. OVERMAN. If it is in the report, I do not ask the Senator to restate it.

Mr. McCUMBER. Let me state to the Senator that when this bill becomes effective the average soldier will be over 28 years of age, an age when most of them either have homes of their own or have homes in contemplation. I believe they will exercise the average judgment of the young man of that age who is married or about to be married and is looking forward to the future.

To determine about how many would accept like provisions under the insurance plan we went over the tables of the insurance companies and found that men of about that age who take insurance in 20-year endowment policies that about 20 per cent of them borrow against those policies. But I have assumed that we have perhaps more colored people in the Army than we have of the proportionate number who would take insurance generally, and have increased that to 33 $\frac{1}{3}$  per cent of borrowers, and we have made our tables on that basis.

Now, suppose a person should be entitled to \$400 on a cash basis. He can not get that \$400 all at once. He gets \$50 quarterly for 2 years. That is what he will look at—that a \$50 bill is all he is going to get quarterly, and that he is not going to get \$400 all at once.

Now, he looks at the next plan. He says, "If I take the certificate plan, I can get 40 per cent more—that is, \$160 more—making \$560, as against the \$400. At the end of 2 years I can draw 90 per cent of the \$400 plus 4 $\frac{1}{2}$  per cent compounded annually for the 2 years." If he allows it to go to 5 years, he can borrow 80 per cent of the adjusted certificate, which will be \$560, plus 4 $\frac{1}{2}$  per cent compounded annually for those 2 years.

That will appeal so much more strongly to the man of ordinary judgment who is looking to his future interest that I am inclined to believe that the greater number will take it. In addition to that, I know from my talks with officers of the principal soldier organization, that when this bill becomes a law they intend to send their men out among the posts and explain it to the soldier and urge him to take the certificate plan and not the cash plan.

Taking all these matters into consideration, it is my belief that when the applications actually come in most of them will be for the certificate plan. If they should apply to-day, without knowing what the bill is, I will admit that probably 90 per cent would take the cash plan.

## APPENDIX.

TABLE I.—Total cost if every veteran should accept the cash plan, together with the annual cost.

	Home service.	Overseas service.	Total.
Number affected.....	2,244,853	2,435,000	4,679,853
Deaths, June 30, 1919, to Jan. 1, 1923.....	54,755	59,380	114,135
Number entitled to cash:			
1922.....	2,190,098	2,375,620	4,565,718
1923.....	2,180,972	2,365,716	4,546,688
1924.....	2,162,593	2,345,778	4,508,371
1925.....	2,144,186	2,325,814	4,469,999
Average number of days entitled to pay.....	260.51	333.26	

TABLE I.—Total cost if every veteran should accept the cash plan, together with the annual cost—Continued.

	Home service.	Overseas service.	Total.
Cost:			
1922.....	\$219,009,800	\$237,562,000	\$456,571,800
1923.....	351,532,630	475,124,000	826,656,630
1924.....	276,937,900	276,937,900	553,875,800
Total cost.....	570,542,430	989,623,900	1,560,166,330

NOTE.—The above table is based upon the average cash payment, and while the total shown is approximately correct, certain payments, owing to length of service, will extend beyond the average into the year 1925. There are 136,000 veterans in this class, and the total payments included above, of about \$3,000,000, will run into 1925.

TABLE II.—Total cost if every veteran should accept the certificate plan, with no borrowings, together with annual payments.

	Home service.	Overseas service.	Total.
Total veterans affected.....	2,244,853	2,435,000	4,679,853
Deaths, June 30, 1919, to July 1, 1922.....	54,755	59,380	114,135
Average number days payable service.....	260.51	333.26	
Number entitled to certificates July 1, 1922.....	2,190,098	2,375,620	4,565,718
Average face of certificates.....	\$880.52	\$1,408.02	
Total value of all certificates.....	1,928,425,091.00	3,344,920,472.00	\$5,273,345,563
Annual payments:			
1922.....	8,035,626.00	13,945,030.00	21,980,656.00
1923.....	16,183,077.00	28,073,103.00	44,256,180.00
1924.....	16,207,732.00	28,109,711.00	44,317,443.00
1925.....	16,248,236.00	28,188,560.00	44,436,796.00
1926.....	16,319,558.00	28,308,242.00	44,627,800.00
1927.....	16,383,836.00	28,425,108.00	44,808,944.00
1928.....	16,455,158.00	28,543,381.00	44,998,539.00
1929.....	16,566,103.00	28,730,648.00	45,296,751.00
1930.....	16,676,168.00	28,929,179.00	45,605,347.00
1931.....	16,834,660.00	29,195,295.00	46,029,955.00
1932.....	16,991,394.00	29,478,307.00	46,469,701.00
1933.....	17,195,675.00	29,827,496.00	47,023,171.00
1934.....	17,395,553.00	30,169,645.00	47,565,198.00
1935.....	17,638,577.00	30,601,907.00	48,240,484.00
1936.....	17,944,998.00	31,067,961.00	49,012,959.00
1937.....	18,250,538.00	31,653,698.00	49,904,236.00
1938.....	18,607,149.00	32,284,490.00	50,891,639.00
1939.....	19,054,453.00	33,063,125.00	52,117,578.00
1940.....	19,549,305.00	33,910,754.00	53,460,059.00
1941.....	20,133,970.00	34,925,936.00	55,059,906.00
1942.....	20,829,581.00	36,132,609.00	56,962,190.00
1943.....	1,568,923,744.00	2,721,356,287.00	4,290,280,031.00
Total payments.....	1,928,425,091.00	3,344,920,472.00	5,273,345,563.00

TABLE III.—Total cost if 20 per cent of the veterans should take the cash-payment plan and 80 per cent the certificate plan, assuming that one-third of those entitled borrow from the Government on their certificates, with a repayment of the loans in 10 equal annual installments, covering principal and interest.

	Cash-payment plan.	Certificate plan.		Total.
		Loans less repayments.	Payments on account of deaths or maturity.	
Total number of veterans living July 1, 1922.....	913,144	3,652,575		4,565,718
Total annual cost:				
1922.....	\$91,314,400		\$17,584,500	\$108,898,900
1923.....	165,333,000		35,404,944	200,737,944
1924.....	53,000,000	\$30,000,000	35,453,954	118,453,954
1925.....	2,385,000	41,450,688	35,549,437	79,386,725
1926.....		33,925,176	35,702,240	69,627,416
1927.....		28,594,536	35,847,155	59,441,691
1928.....		60,246,715	35,998,832	96,245,547
1929.....		46,058,994	36,189,400	82,248,394
1930.....		23,557,722	36,484,279	60,042,001
1931.....		10,095,410	36,823,963	46,919,373
1932.....		3,257,710	37,175,762	33,918,052
1933.....		6,961,619	37,618,536	30,656,917
1934.....		15,890,210	38,052,159	22,251,949
1935.....		35,017,093	38,592,387	3,575,291
1936.....		41,901,546	39,210,366	-2,691,180
1937.....		44,228,208	39,923,389	-4,304,819
1938.....		58,938,558	40,713,310	-18,225,248
1939.....		49,293,077	41,694,062	-7,599,015
1940.....		40,221,725	42,768,046	2,546,321
1941.....		32,848,698	44,047,925	11,199,227
1942.....		26,244,533	45,569,752	19,325,219
1943.....		20,493,424	3,404,185,920	3,383,692,496
Total.....	312,034,000	-106,276,163	4,190,590,318	4,396,348,155

\$23,038,130 principal due after Jan. 1, 1943. This amount is deducted from the payments on maturity of certificates.

TABLE IV.—Total cost if about one-third of the veterans (say 1,534,719) take the cash-payment plan and the other two-thirds (say 3,031,000) take the certificate plan; assuming that one-third of those entitled (say 1,010,333) borrow upon their certificates, with a repayment of the loans in 10 equal annual installments, covering principal and interest.

	Cash-payment plan.	Certificate plan.	
		Loans less repayments.	Payments on account of death or maturity.
Total number of veterans living July 1, 1922.....	1,534,719	3,031,000	4,565,718
Total annual cost:			
1922.....	\$153,471,900	\$7,000,000	\$160,471,900
1923.....	306,800,000	29,504,120	336,304,120
1924.....	58,528,100	29,544,961	118,073,061
1925.....	1,000,000	32,875,573	63,500,104
1926.....		28,271,813	58,023,680
1927.....		19,662,113	49,534,742
1928.....		50,205,596	80,204,623
1929.....		38,382,495	68,540,328
1930.....		19,631,435	50,035,000
1931.....		8,412,841	39,099,477
1932.....		2,714,759	28,265,042
1933.....		5,801,349	25,547,431
1934.....		13,166,841	18,543,291
1935.....		29,180,913	2,979,410
1936.....		34,917,955	2,242,650
1937.....		36,856,840	3,587,349
1938.....		49,115,465	15,187,706
1939.....		41,077,564	6,332,512
1940.....		33,518,104	2,121,935
1941.....		27,373,915	9,332,689
1942.....		21,870,444	16,104,349
1943.....		17,077,853	2,819,743,747
Total.....	519,800,000	-90,230,136	3,484,504,848

<sup>1</sup> On Jan. 1, 1923, \$23,365,108 is owing on loans. This amount is deducted from the payments on maturity of certificates.

TABLE A.—Illustrating the loanable features of the certificate plan, assuming that the loans are made for a period of 10 years, the principal and interest at  $\frac{1}{2}$  per cent to be repaid in 10 equal annual installments.

Fiscal year.	50 per cent choosing certificate plan; one-third borrowing.			20-80 per cent plan.			One-third-two-thirds plan.		
	Number of loans.	Amount loaned.	Repay-ments.	Number of loans.	Amount loaned.	Repay-ments.	Number of loans.	Amount loaned.	Repay-ments.
1924.....	95,750	\$32,156,680	.....	153,200	\$51,450,688	.....	127,667	\$42,875,573	.....
1925.....	72,000	25,238,400	\$4,064,540	115,200	40,429,440	\$9,503,264	96,000	33,691,200	\$5,419,387
1926.....	60,000	22,005,000	7,258,415	96,000	35,208,000	11,613,464	80,000	29,340,000	9,077,887
1927.....	100,000	47,694,000	10,039,803	160,000	76,310,400	16,033,685	133,333	63,502,000	13,386,491
1928.....	90,000	44,855,100	16,038,222	144,000	71,768,160	25,702,167	120,000	59,806,800	25,978,432
1929.....	70,000	36,457,400	21,733,824	112,000	58,331,840	34,774,118	93,333	49,602,800	25,978,432
1930.....	60,000	32,655,600	26,345,966	96,000	52,248,960	42,153,536	80,000	43,540,800	35,127,955
1931.....	50,000	28,437,500	30,473,569	80,000	45,500,000	48,757,710	66,667	37,916,667	40,631,425
1932.....	50,000	29,717,000	34,068,012	80,000	47,547,200	54,508,819	66,666	39,622,666	45,422,016
1933.....	45,000	27,949,050	37,824,181	72,000	44,718,480	60,518,690	60,000	37,265,400	50,432,241
1934.....	30,000	19,471,200	41,856,885	48,000	31,153,920	61,171,016	40,000	25,916,600	55,142,513
1935.....	20,000	13,565,000	39,753,466	32,000	21,704,000	63,705,546	28,667	18,088,667	53,004,621
1936.....	15,000	10,631,550	38,274,180	24,000	17,010,480	61,240,688	20,000	14,175,400	51,032,240
1937.....	.....	.....	36,836,599	.....	.....	58,938,558	.....	.....	49,115,435
1938.....	.....	.....	30,808,173	.....	.....	49,293,077	.....	.....	41,077,564
1939.....	.....	.....	25,138,578	.....	.....	30,221,725	.....	.....	33,518,104
1940.....	.....	.....	20,530,436	.....	.....	32,848,698	.....	.....	27,373,915
1941.....	.....	.....	16,402,833	.....	.....	26,244,551	.....	.....	21,870,444
1942.....	.....	.....	12,808,390	.....	.....	20,493,424	.....	.....	17,077,853
Total.....	757,750	370,863,480	.....	1,212,400	593,381,568	.....	1,010,333	494,484,640	.....

NOTE.—An annual payment for 10 years of 12.6398 cents will liquidate a debt of \$1, principal and interest, at the rate of  $\frac{1}{2}$  per cent per annum.

A condensation of the facts presented in the tables shows:

Total number in service in Army.....	4,262,105
Total man-days' service from Apr. 5, 1917, to July 1, 1919.....	1,427,325,000
Average days' service per man.....	334.89
Total number overseas force in Army.....	2,022,635
Total man-days' service overseas from Apr. 5, 1917, to July 1, 1919.....	709,740,000
Average days' service per man overseas.....	350.90
Total number exclusively in home-service force.....	2,239,470
Total man-days' home service from Apr. 5, 1917, to July 1, 1919.....	717,585,000
Average days' service per man, home service, less 60 days to be deducted first from home service.....	260.42
Number of deaths in service overseas.....	80,635
Number of deaths, home service.....	34,617
Total deaths in service.....	115,252
Number of officers above rank of captain in overseas force (estimated).....	7,000

TABLE V.—Total cost if one-half the veterans take the cash payment plan and one-half the certificate plan, assuming that one-third of those entitled borrow upon their certificates, with a repayment of the loans in 10 equal annual installments, covering principal and interest.

	Cash-payment plan.	Certificate plan.	
		Loans less repayments.	Payments on account of death or maturity.
Total number of veterans living July 1, 1922.....	2,282,860	2,282,859	4,565,718
Total annual cost:			
1922.....	\$228,286,000	\$10,990,000	\$239,276,000
1923.....	456,483,165	22,128,090	478,611,255
1924.....	91,314,000	22,158,721	133,472,721
1925.....	4,000,000	22,158,398	48,375,078
1926.....		22,313,900	43,517,799
1927.....		14,748,585	37,151,057
1928.....		37,654,197	60,153,497
1929.....		28,789,871	51,405,245
1930.....		14,723,576	37,523,250
1931.....		6,309,631	29,324,608
1932.....		2,036,069	20,198,782
1933.....		4,351,012	19,160,573
1934.....		9,875,131	13,907,468
1935.....		21,885,685	2,234,557
1936.....		26,188,468	1,681,987
1937.....		27,642,630	2,690,512
1938.....		39,836,599	11,390,780
1939.....		30,808,173	4,749,384
1940.....		25,138,578	1,591,451
1941.....		20,530,436	6,999,517
1942.....		16,402,833	12,078,232
1943.....		12,808,390	2,114,807,810
Total.....	780,083,165	-68,922,602	3,330,279,199

<sup>1</sup> \$17,523,831 of principal due after Jan. 1, 1943. This amount is deducted from the payments on maturity of certificates.

Number of officers above rank of captain in home service (estimated).....	7,500
Total number of officers above rank of captain.....	14,500
Total number of deaths in Army from July 1, 1919, to July 1, 1922 (estimated).....	100,785
Number in Army entitled to benefits Jan. 1, 1923.....	4,031,568
Total number in service in Navy.....	551,736
Deaths in service:	
Enlisted men.....	2,341
Officers above rank of lieutenant (estimated).....	1,895
Total.....	4,236
Number entitled to benefits of this bill July 1, 1919.....	547,500
Deaths between July 1, 1919, and Jan. 1, 1923.....	13,850
Number entitled to benefits Jan. 1, 1923.....	534,150



Overseas force (estimated)-----	500,000
Home force (estimated)-----	47,500
Average length of service (days)-----	325
Less 60 days deducted (days)-----	265
Total number of Army and Navy entitled to benefits July 1, 1922-----	4,565,718

The cost table shows as follows:

1. On basis that every veteran should accept the cash plan:	
Total cost-----	\$1,560,166,330
To be appropriated for in--	
1922-----	456,571,800
1923-----	475,124,000
1924-----	276,937,900

2. On the basis that every veteran should accept the certificate plan, with no borrowings, and making allowance for annual payments on account of deaths:

Total amounts in 1942 would aggregate-----	\$5,273,345,563
To be appropriated for in 1922-----	21,980,656
This sum increases yearly up to 1942, when the amount required would be-----	56,962,190
Leaving all the balance to be paid in a single payment due in 1943, of-----	4,290,280,031

But, as suggested, these two tables do not indicate what, in fact, will be the operation of the law, but are given to show possible minimum and maximum costs and place a limit upon extreme calculations.

3. On the basis that 20 per cent of the veterans should accept the cash-payment plan and 80 per cent the certificate plan, and assuming that one-third of those entitled borrow on their certificates the full amount they are entitled to borrow, and making allowance for repayments, and also for deaths, the total amount in 1942 would aggregate \$4,356,338,615.

The yearly payments, however, would be:

1922-----	\$108,898,900
1923-----	200,737,944
1924-----	118,453,954
1925-----	79,386,725
1926-----	69,628,416

After 1927 the annual payments would decrease on account of repayment of borrowings until 1936, when the repayments on account of loans would be more than sufficient to meet the payments on account of deaths and loans. This would continue until 1940, when the excess of payments on account of deaths would amount to \$2,543,321. These payments would increase until in 1942 they would amount to \$19,325,219. The final payments on account of maturity in 1942 would amount to \$3,383,692,496.

4. On the basis that one-third of the veterans would accept the cash-payment plan and two-thirds the certificate plan, making the same allowance as in previous tables, the entire cost up to and including 1943 would be \$3,888,282,142.

The yearly payments would be as follows:

1922-----	\$160,471,900
1923-----	336,304,120
1924-----	113,073,061

From 1924 the amounts will decrease until 1935, when there would be no cost until 1939, four years, during which period the repayments would exceed the amounts necessary to meet the obligation. There would be a balance due at the maturity of the certificates in 1942 of \$2,819,743,747.

5. On the basis that 50 per cent of the veterans take the cash-payment plan and 50 per cent the certificate plan, making the same allowance as in the previous tables, the entire cost up to and including 1942 would be \$3,303,153,231.

The yearly payments would be as follows:

1922-----	\$239,276,000
1923-----	478,611,255
1924-----	135,472,721

These yearly amounts then decrease each year to 1936. Then there would be an excess of repayments of loans over payments on account of loans and deaths for the four years, 1936, 1937, 1938, and 1939, of over \$20,000,000. A final payment upon the matured certificates would be due in 1943 of \$2,114,807,810.

#### RELIEF OF DISABLED EX-SERVICE MEN.

Mr. CALDER. Mr. President, I ask unanimous consent to submit a report from the Committee to Audit and Control the Contingent Expenses of the Senate. I am directed by that committee, to which was referred Senate resolution 93, submitted by the Senator from West Virginia [Mr. SUTHERLAND], to report it favorably without amendment, and I ask unanimous consent for its present consideration.

The VICE PRESIDENT. The resolution will be read for information.

The Assistant Secretary read the resolution, as follows:

Resolved, That S. Res. 59, agreed to June 9, 1921, be, and hereby is, amended to authorize the special committee thereby created for the investigation of various bureaus and agencies of the Government in matters relating to the veterans of the World War, to employ such clerical and other assistants as may be deemed necessary in furtherance of the purposes of said resolution.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

Mr. WARREN. I do not see present now the Senator who is referred to in the resolution.

Mr. CALDER. The Senator from West Virginia [Mr. SUTHERLAND]?

Mr. WARREN. Yes; I will ask the Senator from New York, who presents the resolution, to what extent this is supposed to go in the matter of the employment of experts?

Mr. CALDER. I do not believe the committee will need to employ, and only for a limited period, more than two clerks

and more than one investigator. The committee is now functioning. I am a member of the committee myself, and we find it very difficult to prepare matters to present to the committee without some clerical help. I do not think the entire cost will be more than \$1,500.

Mr. OVERMAN. May I inquire what committee is referred to?

Mr. CALDER. This is the committee appointed as a result of the resolution introduced by the Senator from Massachusetts [Mr. WALSH] to inquire into the treatment of ex-soldiers in the War Risk Bureau and by the Public Health Service.

Mr. WARREN. I know full well how ungracious it is to inquire into any expenditures by the United States Senate, and especially for any special committee, but the way we have been traveling along this route and the number of these various examinations and the tremendous figures to which some of them amount require me to say at least that I trust there may come some economy and some end to extraordinary expenditures, and I hope that this one surely may serve as a precedent in economy of investigating committees. Some of our examinations have gone on for years instead of months. In former times when we had such examinations it was very extraordinary to ask for any extra help. The regular committees are furnished with supposedly plenty of clerks. Senators who are not chairman of committees are supplied with just as many clerks as are the chairmen of the committees, barring three or four of the hardest working committees.

It seems to me that a little effort on the part of some of these committees might have excluded a great proportion of the expense we have been under for the last three or four years. However, I am not going to object to the resolution, but I do hope the members of the committee will bear in mind the suggestion I have made.

Mr. CALDER. I shall inform the members of the committee of the Senator's statement. I am a member of the committee myself, and I do not believe the expense can possibly run over \$2,500, and I do not see why it should exceed even \$1,000.

The resolution was considered by unanimous consent and agreed to.

#### SEASONAL COAL RATES.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1806) to further amend the interstate commerce act, as amended, to provide for seasonal rates for the transportation of coal.

Mr. POMERENE. Mr. President, I desire to address myself briefly to the bill S. 1806, known as the seasonal rate bill. I desire to compliment the Senator from New Jersey [Mr. FRELINGHUYSEN] on his energy and enthusiasm and the industry he has displayed in considering the subject. I share his view completely when he speaks of the deplorable conditions of the coal trade during the last two or three years.

I took occasion in the early period of the war to criticize very drastically some of the coal operators in the country, and I have no apology to make for what I then said. Later on, when I found that a few officers of the miners' organizations and a few delegates brought on a strike in violation of their contracts, with utter disregard for the condition of the country, I did not hesitate to criticize them. I differentiate between the mine officials and the delegates, and the miners themselves. The miners were in no respect responsible for that strike, and I measure my words when I make that statement.

If there was likely to be a recurrence of any of this trouble, I should like to know the remedy. If a remedy were presented, I would be for it. If the pending bill would accomplish one tithe of what the Senator from New Jersey thinks it would accomplish, I think I would be for it; but my judgment is that it will do more harm than good, if it does any good at all.

I recognize the fact that there was a time when we had a car shortage, and that car shortage was one of the causes of serious trouble throughout the country, but there is no car shortage now. That car shortage was superinduced by war conditions, and whatever may have been the scarcity of cars—and there was a scarcity, not only in the coal trade but in the transportation service of the country as a whole—we do not have that car shortage now. There is a car surplusage of probably 365,000 cars. I mean by that there are probably 365,000 empty cars. A large part of these are coal cars, but that surplusage is due to present industrial conditions.

The Senator from New Jersey refers to the car shortage as being one of the causes of the trouble, and it was a cause at that time; but coal operators can now get all the coal cars that they want. The price of coal at the mouth of the mine has gone down. I think the rates are somewhat higher than they ought to be. I would like to see them changed. I think they will be

changed later, as all of these traffic rates, or the most of them, will be changed, and they will be changed when we approach normal conditions; but there must be a readjustment all along the line.

The Senator has referred to some of the sentiments that prevail throughout the country in support of the bill, and has taken the pains, perhaps in part for my benefit, to read several telegrams from Ohio operators. I assume that there is some difference of opinion out there, but I think the opinion of a vast majority of them is against the bill. I have before me a large number of telegrams bearing upon the subject, some referring to one of the bills, some to the other, and some to both of them. I wish to read a telegram from the Toledo Wholesale Coal Trade Association:

Report that coal men favor Frelinghuysen coal stabilization measures 1806 and 1807 not correct. We are all bitterly opposed to these bills or any bill that carries with it Federal control of private business. These bills must be considered as socialistic, un-American, and not in the public interest. We hope you can see your way clear to oppose these bills.

TOLEDO WHOLESALE COAL TRADE ASSOCIATION.

I have another similar telegram signed by the Kenmont Coal Co., another signed by the Elmer Miller Coal Co., another by the Manufacturers' Coal Co., and another by the manager of the Big Four Coal Co., all of Toledo. I have another telegram indicating how some of the large consumers of coal feel upon the subject. This is from Youngstown:

We are large purchasers of coal, having bought last year about 2,000,000 tons. We strongly oppose Frelinghuysen bill to regulate coal industry. It is contrary to President's pre-election statement of less Government in business and more business in Government. Its passage would discourage all lines of industry. Business requires relief from interference, not further repression. Would regard passage of this bill as a bad precedent.

This is signed by J. A. Campbell, president of the Youngstown Sheet & Tube Co., which is one of the large independent mills at Youngstown.

I submit these as indicating in a general way the sentiment throughout the State of Ohio. I shall not take the time to read the many other telegrams which I have. I would be glad to have any Senator see them if he desires so to do. I also have a large number of letters bearing upon the same subject.

Mr. FRELINGHUYSEN. Mr. President—

Mr. POMERENE. I yield to the Senator from New Jersey.

Mr. FRELINGHUYSEN. I do not wish to interrupt the Senator from Ohio in the midst of his remarks, but the telegrams refer to regulation of the coal business. Does the Senator feel that Senate bill 1807 in any way has any regulatory features or any powers of that character conferred?

Mr. POMERENE. It is true that one of the telegrams uses the term "regulation," and I suspect it was not written from the standpoint of the lawyer, but rather from the standpoint of the business man, and perhaps he has not used that expression with entire accuracy. I agree with the Senator from New Jersey that in the ordinary acceptance of the term neither bill could be regarded as regulatory in character. They are supervisory, perhaps, if there is a distinction between the two terms.

But, Mr. President, as bearing further upon the question of car shortage let me remind Senators that in the transportation act the Congress took care of this question, realizing the importance of the coal industry to our entire industrial life, and in section 402, paragraph 12, we provided:

It shall also be the duty of every carrier by railroad to make just and reasonable distribution of cars for the transportation of coal from the coal mines served by it, whether located upon its line or lines or customarily dependent upon it for car supply. During any period when the supply of cars available for such service does not equal the requirements of such mine, it shall be the duty of the line to apply and maintain just and reasonable ratings to such mines and to count each and every car furnished to or used by any such mine for transportation of coal against the mine.

Then follows the provision for penalties. There are other provisions in the bill which relate to the coal trade particularly, and the power that is given to the Interstate Commerce Commission to grant priority orders, and so forth. I shall not take the time to refer to the law further.

I wish to call the attention of the Senate to the condition that exists in that section of the country west of the Allegheny Mountains.

The Senator from New Jersey referred to the fact that there had been a decrease in the freight rates from the coal fields to the Lake Erie ports, and he is right about that; but that is not a seasonal rate. It was a rate that was given to that particular portion of the coal which goes to the far Northwest. Now, what would be the effect of a seasonal rate? The coal which goes to the Northwest is mined in southeastern Ohio, western Pennsylvania, western West Virginia, and eastern Kentucky. The mines that furnish this coal are operated during the summer months. Those are the months when the so-called

lower seasonal freight rates are supposed to obtain. Does anyone for a moment believe that a rate of 15 cents a ton, or of even 20 or 30 cents a ton, lower in the summer time than it may be in the wintertime is going to be of benefit to the ultimate consumer on the cold plains of North and South Dakota or Minnesota or Wisconsin? It may be a benefit, perhaps, to the coal dealer, the man who above every other man profited exorbitantly during the last two or three years, but the coal consumer on the cold plains of the Northwest is not going to get that benefit.

What is going to be the situation? Bear in mind also that a large part at least of the coal cars that take coal up to the Lake ports during the summer months are immediately loaded with iron ore to be taken back to the furnaces. When we speak of "coal cars," remember that the term is a misnomer if it is thought that "coal cars" are limited in use to coal distribution. Coal cars are used for the handling of rough freight, for the hauling of ore, as I have indicated. The States of Ohio, Indiana, Illinois, and Michigan have adopted large road-improvement programs; they are spending literally millions of dollars in paving the country highways; and the cars used to haul road materials are the cars that are also used to haul coal. Ordinarily if coal cars were to be limited to the carrying of coal for our local consumers, then we could understand it would be a matter of railroad economy to use those coal cars for hauling road material during the summer and coal during the winter; but assume, for the sake of the argument, that there is a reduction in the coal rate from the mines in southeastern Ohio and in that vicinity to the Lake ports. Are the coal consumers going to get any benefit out of it? I have demonstrated, I think, that the coal consumers in the far Northwest will get no benefit from it. Then what is the effect?

Senators may talk as they choose about getting the laboring man and the average consumer to lay in their supply of winter coal during the summer months. I am not complaining of them; we are all, perhaps, more or less improvident when it comes to our own individual matters, and we delay procuring our supply of coal until the last minute.

If the pending bill were to encourage the production of coal during the summer, it would have this effect: It would prevent the use of the coal cars for hauling road materials. Then what would be the situation? If we have a low freight rate in the summer season, it presupposes a higher freight rate in the winter. Then we should have the anomalous condition that in Ohio, in western Pennsylvania, in western West Virginia, and in eastern Kentucky, the very heart of the bituminous coal territory, the people in those States would have to pay a higher freight rate for their own coal from their own mines, and all for the benefit of the coal dealer who buys the coal for the Northwest, presumably for the consumer. I dare say that there can be no difference of opinion between us when I repeat my declaration that if there were a differential of from 15 to 50 cents per ton during the summer time in the freight rates it would not make 1 cent a ton difference in favor of the consumer in the far Northwest.

Mr. FRELINGHUYSEN. Will the Senator suffer an interruption, Mr. President?

The VICE PRESIDENT. Does the Senator from Ohio yield to the Senator from New Jersey?

Mr. POMERENE. I do.

Mr. FRELINGHUYSEN. Is it not true that the carriers made a differential this summer of 28 cents in order to stimulate the movement of coal to the Northwest?

Mr. POMERENE. Mr. President, there is a difference between that and the seasonal rate. I have been trying to get a reduction of freight rates for our road material. My friends from the South have been trying to get a reduction of freight rates for their citrus fruits and for the vegetables that are produced in the South. The Senator presents no argument in favor of seasonal rates.

Let me suggest to Senators while I am discussing this subject that we are not without a pretty good authority upon this question. Mr. Kruttschnitt, of the South Pacific Railroad Co., was before our committee as representing in part the railroad executives. There may be a difference of opinion as to the correctness of many statements which he may have made, but he discussed the question of seasonal rates as applied to coal in his section of the country. I am going to take the privilege of reading a paragraph or two from his statement.

Mr. STANLEY. Mr. President—

Mr. POMERENE. I yield to the Senator from Kentucky.

Mr. STANLEY. I was under the impression that the pending bill authorized the Interstate Commerce Commission to make seasonal reductions in the charges for the transportation of coal, but I find, upon a more careful analysis of the bill,



that it simply authorizes them so to distribute the rates so as to add to the winter rate whatever they take from the summer rate.

Mr. POMERENE. That is the substance of it. There was an original draft of the bill which provided that there should be a sort of a base freight rate, and then provided that the rates could be reduced during the summer months a certain number of cents per pound below the base rate and could be raised during the winter; but whether it is one form of bill or the other, the same economic principle obtains in both.

I now read with reference to this subject from page 92 of the testimony of Mr. Kruttschnitt on Senate resolution 23.

Mr. KRUTTSCHNITT. Permit me to tell you a story of a personal experience right on that point. When the Southern and the Union Pacific roads were merged as a unit I had charge of the operation of both roads, and I was also president of the Union Pacific coal properties, and we had that same trouble, that everybody wanted coal in the winter, when every car and locomotive was busy, and they couldn't get it, and there was a dreadful complaint, and I said to the manager of the coal company: "We are going to try the experiment of making a seasonal reduction in the price of coal, and you make it material, so as to encourage people to fill up their cellars, encourage dealers to fill up their yards with coal, whilst we have got ample locomotive power and cars." We tried that for two years, and the first year it had substantially no effect. The second year, I think, we managed to get 25,000 tons more than normally bought in the season, and it was then given up as a bad job.

Senator POMERENE. What was the total for the season?  
Mr. KRUTTSCHNITT. The total for the season at that time, when we were in the commercial coal business, would have been three or three and a half million tons. So, you see, the movement was insignificant. We couldn't get people to do it. We not only offered the inducement in lowering the price but we sent agents around to dealers to explain this thing to them and to coax them to take advantage of the lower price to stock up.

Senator WOLCOTT. At the same time was there a seasonal concession in price at the mines?

Mr. KRUTTSCHNITT. What?  
Senator WOLCOTT. I say, at the same time, was there a seasonal concession in price at the mines?

Mr. KRUTTSCHNITT. This was a concession in price at the mines.  
Senator WOLCOTT. Yes; in the rate; but at the same time were the mine operators making a seasonal concession in price like they do here in the East?

Mr. KRUTTSCHNITT. You mean the miners?  
Senator WOLCOTT. The mine operators.  
Mr. KRUTTSCHNITT. Well, we were the mine operators; these were mines belonging to the railroads.

Senator POMERENE. What decrease in the seasonal rates did you make?

Mr. KRUTTSCHNITT. About 10 per cent.  
Senator POMERENE. Ten per cent of the total?  
Mr. KRUTTSCHNITT. No; 10 per cent of the normal sale price. In other words, if the price was \$2.50 per ton, why, we made it \$2.25 per ton.

Senator POMERENE. Well, did you make a decrease in the transportation rate?

Mr. KRUTTSCHNITT. No; but it was immaterial how the decrease was made. The net effect was to make the coal cost the dealer and consumer 25 cents a ton less.

Of course, as they owned both the mines and the railroads, it made no difference whether the reduction was on the price of the coal itself or on the transportation rates. Suffice it to say that the total decrease was 25 cents a ton, which would, I dare say, be more than the average decrease which could be obtained under the pending bill. I do not think there can be any question about that.

I have here a letter received this morning from Mr. L. G. Macomber, who is traffic commissioner of the Toledo Chamber of Commerce. He incloses a brief which was prepared by the chamber at the time a similar bill was pending at the last session of the Congress. I am not going to take the time to read all of his letter, but he points out specifically, it seems to me, the evils incident to this proposed legislation, or, to put it in another way, he points out the fact that it will be positively injurious to the coal trade and the coal consumers in the State of Ohio. He speaks for them in a general way, and, perhaps, for the Toledo people in a special way. It will be remembered that a good deal of coal is shipped to Toledo and sent up the Lakes. He says:

As this is a matter that is of great interest to all Toledo coal consumers, particularly the industrial consumers, we have given the subject considerable study and have reached the conclusion that this bill would work a hardship upon Toledo users of coal for the following reasons, which I submit for your consideration—

Let me repeat that he is referring to the seasonal coal bill of the last Congress, which differed somewhat in phraseology but not in principle from the bill which we have now pending before us—

1. Toledo is peculiarly situated with respect to ability to obtain coal during the summer period for storage for use during the winter period, in that she is one of the important Lake Erie ports which serve as a transfer point for coal from the Ohio mines for shipment via the Lakes to Lake Superior ports.

We interviewed an operator of several Ohio mines who stated that during the last five years there has not been a surplus of empty cars at the mines at any time. That the mine output has been controlled entirely by the car supply, and the mines operated to the capacity of the cars obtained—

Let me stop to observe that there is no want of car supply now—

That at no time during the past five years has there been a sufficient number of cars to take care of either the mine output or the orders on hand.

As the Lake Superior docks are entirely clear of coal, the present indications are that the northwestern requirements for Lake movement this year will be in the neighborhood of 30,000,000 tons of coal. As the greatest movement of coal via the Lakes in any one year was between 26,000,000 and 27,000,000 tons of coal, this should indicate that the carrying capacity and the empty car supply of the carriers will be taxed to the limit to take care of the Lake requirements; and the fact that during the past five years there has not at any time been a surplus of empty cars should also indicate that there is very little prospect of empty equipment to take care of local requirements for even current consumption, making it impossible for the local coal consumer to take advantage of a reduced coal rate during the period of navigation, and resulting in his being penalized with the 15 per cent increase in coal rates because of his inability to obtain coal during the period of the reduced rate.

2. Owing to the Northwest being dependent upon the mines of Ohio, Pennsylvania, West Virginia, and Kentucky, the carriers are morally obligated to serve that territory in the matter of transportation of coal during the period of navigation to the limit of their ability, for two reasons:

First, because of the saving in the cost of the coal to the consumer as result of the reduced rate in effect via rail and Lake, which is \$1.27 from the Hocking Valley-Jackson group mines to Toledo docks, plus 50 cents per ton Lake haul, or a through rate of \$1.57, as against an all-rail rate of \$4.60.

If you should reduce the rail rate, of course there would be a temptation to use these cars to supply at least a part of this northwestern territory during this time; and the longer they are en route from the mine to the consignee and return, the less service they can be in hauling coal or anything else for Ohio or other people living in the coal-producing States.

Second, because to force the movement of coal from Ohio mines to the Northwest in the winter would put a coal car into service an unreasonable length of time, depriving local consumers of its service; or would mean about 1,000 miles of rail haul as compared with 185 miles from the mines to the Toledo docks.

3. With very few exceptions, Toledo industries as a general thing have not storage space for the storage of over 30 days' supply of coal. To provide such space at the present time—if it could be secured—would be so expensive as to offset any saving resulting from a reduced coal rate for five months of the year; therefore, owing to the inability of the average Toledo industry to store coal, they would be penalized by the provisions of the Frelinghuysen bill.

I do not see how there can be any question about that. I confess this report states in the next paragraph a condition which I did not think prevailed as to Ohio coal. I thought Ohio coal could be stored without fear of spontaneous combustion; but this report says it can not.

I read:

4. Ohio coal, which is the most extensively used bituminous coal in this vicinity, will not store satisfactorily, experience having developed that after this coal has been on the ground for a period of 60 to 90 days spontaneous combustion occurs, and there is no means of quenching the fire, once it has gotten started in a pile of coal, except by cutting it out from the balance of the pile.

Let me suggest to Senators who do me the honor to listen to me that it has been demonstrated that most of the Indiana coal, Illinois coal, and Iowa coal will not store, for the very reason that it will be destroyed by spontaneous combustion. It is well enough to talk about storing this coal. Some say it can be done by having a sort of concrete basin, filling it with coal, and then submerging it all in water. That, of course, adds to the cost.

Under these circumstances, what is going to be the effect in the Central West if this bill does go through? In the first place, in my judgment, there would not be a consumer who would get the benefit of a single dollar by reason of the reduction in the freight rates, unless it be the coal dealer himself. In the second place, if it did have the effect of increasing the transportation to the very extent that we have been short of cars in the past, so we will be short of cars in the transportation of building material, of stone and rock and cement that are used in the construction of highways, and it is going to interfere with that line of industry, when this coal could just as well be hauled after the road-building season has ended.

I want to be very respectful about this matter, but for the life of me I can not see how any benefit is going to come from the passage of this bill.

I have here a large number of letters. I am not going to take the time to read them. One is from a Mr. C. E. Maurer, who has been a coal operator for long years. He is out of the business now. He points out, along the same line as this brief from the Toledo Chamber of Commerce, that any attempt at seasonal rates now would be a calamity, since the mines for the most part are busy during the summer supplying the Lake region. Whatever its effect may be in other sections of the country—and I am not prepared to discuss that except as I can infer what the conditions would be from what I know are the conditions in the great productive centers of the Middle

West—this bill, if it becomes a law, would injure the country immediately west of the Alleghenies.

If anyone can bring to me a plan which will stop or prevent the iniquitous practices which prevailed a year or two ago, I shall be glad to take it up and I shall be glad to give it my support; but in my judgment this is not going to help us.

My good friend from New Jersey [Mr. FRELINGHUYSEN] refers to this as constructive legislation. Constructive legislation ought to provide a remedy for the evil, and as yet no one has proved to my satisfaction how this would prevent the evils from which we have suffered in the past.

For the reasons that I have thus briefly stated, I shall oppose this bill. At the same time, I want to be perfectly frank about it. When the suggestion of seasonal rates was first called to my attention, it was a thought that appealed to me very much; but as I became more familiar with the conditions in the coal trade and along industrial lines and found out what the effect would be, it seemed to me that the weightier reasons were against the bill rather than for it.

I have here a letter from Mr. J. G. Barbour, who was the coal commissioner of Stark County, Ohio, and for years was the traffic manager of the Metropolitan Paving Brick Co. I believe he is now the president of that company. In this letter he gives his estimate of the pending legislation from the standpoint of a manufacturer who has had large experience in dealing with traffic rates, and particularly with coal-traffic rates. I ask that this letter may be printed in the Record in connection with my remarks.

The VICE PRESIDENT. Without objection, it will be so ordered.

The letter referred to is as follows:

THE METROPOLITAN PAVING BRICK CO.,  
Canton, Ohio, May 16, 1921.

Hon. ATLEE POMERENE,  
Senate Building, Washington, D. C.

MY DEAR SENATOR: I received to-day proof of my testimony before the subcommittee of the Senate Committee on Interstate Commerce, which was forwarded to me for correction.

Due to the short time I had and numerous interruptions, I did not cover the coal side as fully as I would have liked, but only touched on the car-shortage angle, which I might summarize as follows:

If the movement of coal was encouraged during the late summer and early fall, it would only increase a peak movement which exists in normal years, due to heavy seasonal movement of construction material using open cars plus a heavy withdrawal of box cars for grain movement, increasing a seasonal car shortage which ordinarily exists at that time.

I am taking the liberty to add to what I desired to say to the committee the following:

#### SEASONAL COAL RATES.

Will it help the coal operator or coal miner?

With the present stagnation in the coal market, there is a depression in price of 50 cents to \$1 per ton. The proposed reduction of 25 cents to 50 cents per ton in freight rates, if it brings about such increase in demand to materially relieve the operator or miner, will also bring about an increase in price, which will nullify the freight reduction and will not be any financial inducement to the consumer to store coal.

What consumers have the physical facilities to store coal?

#### DOMESTIC CONSUMER.

Hotels, office buildings, large apartments, and commercial buildings: Owing to high renting value of space in these buildings, there is no space allotted to coal storage, and it would take more than the proposed freight reduction to be any financial inducement to store coal.

Householders, who use from 5 to 15 tons per year, the inducement is not sufficient to overcome the other uses they have for their money during the summer, and the average home is not provided with sufficient room allotted for coal storage for the year.

The above domestic consumers, then, are dependent upon the retail distributor, who now has the inducement of very low current prices, but if he should attempt to sell this cheap coal in the winter at the higher winter price he stands a good chance of being investigated for profiteering.

#### INDUSTRIAL PLANTS.

Industrial plants running part time will only store coal proportionate to such part-time operation.

Idle industrial plants will not store coal when they have no assurance that they will not be idle all winter.

Industrial plants in full operation will only store coal in excess of usual protective storage for profit on the excess storage itself, and if such profit were probable, face the uncertainty of curtailed operations from the business depression.

In other words, an industrial coal shortage is almost entirely dependent upon a material revival of business and a marked increase in manufacturing, and as freight rates are not a serious factor in railway fuel, their shortage is also controlled by the increase in manufacturing.

#### PUBLIC UTILITIES.

Public utilities—lighting plants, street railways, waterworks, etc.—can with reasonable certainty anticipate their needs and in their plans arrange for storage in a manner to avoid the need of railroad facilities, provide storage at the plant or within trucking distance, assuming that reduced rates will be overcome by increased prices and the depressed prices certain. They have every facility to fully protect themselves now and there is no need for others to store to help the utilities.

#### LAKE CARGO COAL.

With present low prices and the many boats tied up, there is every inducement to move Lake coal early, and if the steel business is curtailed more boats will be tied up, and should there be a shortage of boats on account of less ore movement, then boat rates may be raised to cover empty return voyage. Lower rates do not seem to be needed here.

New England coal, moving by rail and water, has every inducement now of low current prices and low boat rates, due to idle coasting vessels.

#### CONCLUSION.

Lower rates can add nothing to present financial inducements to store coal. A coal shortage can only come from a material increase in manufacturing or general business revival.

I am inclosing clipping of American Railroads, an official publication, voiding the policies of the railway executives, "By buying coal at prevailing high prices on only a hand-to-mouth basis." How would a reduction in rates induce them to store coal?

Hoping the above expression of my views may direct your attention to the many elements that must be overcome in any legislation attempting to overcome the present depression in the coal industry.

Very truly, yours,

J. G. BARBOUR.

#### BUSINESS OF THE SESSION.

Mr. WATSON of Indiana. Mr. President, what I shall say, and say briefly, has no relation whatever to the subject under discussion, but relates altogether to other matters.

Reports have gone out from Washington that there will be neither tariff nor revenue legislation enacted at this session of Congress, and these reports have had more or less of a surprising effect throughout the country. While I do not assume to speak for the Republican majority, nevertheless, as a member of the Finance Committee, having some knowledge of the situation with reference to these subjects, and having at the same time kept in more or less active touch with the members of the Ways and Means Committee, I can say with something of knowledge of the subject that both tariff and revenue legislation will be enacted at this session of Congress.

Nobody is to blame for the existing conditions. Everybody knew that after the war there would come a period of intense reaction. We are now in the midst of such a period. We are all aware of the fact that factories are closed; that 400,000 cars are idle, as has been stated on the floor this afternoon; that 6,000,000 men are out of employment; that mines are shut down; and that there is a state of business collapse throughout the country. This is not the fault of legislation, and legislation can only measurably cure it, and then only after a lapse of time.

Congress can not wave a magic wand and alter conditions that are the outgrowth of such an appalling calamity as the great war that engulfed the world; but, after all, by means of legislation we can measurably cure these evils. My own thought was that we should have passed revenue legislation before we began the consideration of a tariff bill, and I still believe so; and when there was a joint meeting of the Republican members of the Finance Committee and of the Ways and Means Committee for the purpose of considering those questions, and the priority with which they should be handled, I took the position, as did my friend, the Senator from Kansas [Mr. CURTIS], that we should first pass revenue legislation, and afterwards give due attention to the consideration of a tariff bill.

I believed then and I believe now that we can not revive business in the country until we repeal certain provisions of the tax laws. I do not believe that capital in the United States will be invested until we repeal the excess-profits taxes and the high surtaxes on incomes, because capital will not come out of hiding and will not get into the channels of trade and the arteries of commerce to bring back health to the industries of the United States until those taxes shall have been repealed.

In the first place, the excess-profits taxes were largely passed to the consumer when they were paid and added to the final cost of the products. In the next place, when they were not paid—and they are not paid now because there are no excess-profits taxes—they still had as repressive an influence on business and industry as when actually paid.

When first laid we collected two and a half billions of taxes of that character. The estimate for next year is that but \$450,000,000 will be collected, and if business conditions shall continue throughout the country as they now are doubtless they will vanish to the zero point. Yet, while they are not being paid, they still have the same effect upon business and upon industry as if they were actually being paid.

The man who could be relied on to furnish capital for improvements, betterments, additions, and developments is now using his surplus for the purpose partially of paying taxes, and the remainder of that surplus is going into tax-exempt securities. If I had my way about it, we would first enact tax legislation, to assure the business interests of this country just what their tax burdens will be, in order that confidence may be restored and in order that capital may be invested. If capital is not invested, labor will not be employed, and if labor is not employed the factories and mines will remain idle, and these box cars will continue to stand on the sidetracks unused, as my friend from Ohio remarked; and with idleness of the unemployed comes all the attendant train of woes which usually accompanies such a condition throughout the country.



Mr. POMERENE. Mr. President, I am disposed to agree with the Senator that revenue legislation should advance at once; but I just wondered why the Senator looked so fiercely over toward us Democrats when he was making that statement.

Mr. WATSON of Indiana. Mr. President, I am not looking with fierceness toward the Democracy, but with sympathy. My friends mistook the feeling that was behind my look.

Mr. STANLEY. Mr. President—

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Kentucky?

Mr. WATSON of Indiana. I yield to my friend from Kentucky.

Mr. STANLEY. The profound sympathy of the Senator from Indiana for this side of the Chamber at this time might be accounted for by that old couplet:

A fellow feeling in our bosom  
Makes us wondrous kind,  
He has troubles of his own.

Mr. WATSON of Indiana. Mr. President, there is no trouble here, and will not be, when the people fully understand the situation. I do not want anyone to think that we have been remiss in the discharge of our duties, for such is not the case.

Immediately on this Congress convening the Ways and Means Committee began the consideration of a tariff bill, and for months, with unceasing diligence, they have labored in the formulation of such a measure. It will be reported to the House within the next 10 days or 2 weeks at the latest; the House will give it probably 3 weeks of consideration, and then send it over to the Senate. We all understand that the Senate can not originate revenue legislation; but in order to save time, there was an agreement between the members of the Finance Committee and the members of the Ways and Means Committee by which the members of the Finance Committee should hear the revenue bill discussed, not for the purpose of formulating legislation but for the purpose of having hearings, so that when the House came to consider revenue legislation they could take our hearings and supplement them only where it might be deemed desirable.

We had those hearings, gave six weeks to that subject, and everybody was heard who wanted to be heard. Those hearings have been turned over to the Ways and Means Committee, and as soon as the tariff bill is out of the way, they will immediately take up the proposition of the formulation of tax legislation. They will have our hearings on which to base the formulation of their measure, and thus save that much time.

When they have passed their tariff bill and sent it over to us, we on the Finance Committee will take their hearings on the tariff legislation as the basis of our action and thus save just as much time as we possibly can save when we consider the magnitude and the importance of the questions involved.

What I should like to see done, Senators, is simply this—after that tariff bill comes over to us, the Finance Committee will probably be four or five weeks in considering it and re-framing it before we can introduce it into the Senate, and during that time the House of Representatives will have passed the revenue legislation, and when that comes over to the Senate, personally I should like to see the Finance Committee take that measure up and report it into the Senate, and see the Senate pass revenue legislation before we even begin the discussion of the tariff legislation in the Senate of the United States, because I am profoundly convinced that we need tax legislation in order to revive business in the United States far more than we need tariff legislation.

You may formulate your tariff legislation as best you can, but because of changing conditions throughout the world, because of the difference in the rate of exchange, the best tariff bill we can pass to-day will in many of its provisions be obsolete in six months from now. But the tax burden will be known to the business man, and the business man will know precisely what is expected of him in the days that are to come, and it will give a measure of reassurance far more than any other legislation we can enact in this Congress.

Therefore, so far as I am concerned, I trust that that will be the procedure of the two Houses with reference to these vital questions. But the country may be assured, Mr. President and Senators, that legislation of this kind will be enacted, that we will pass a tariff bill, that we will pass revenue legislation, and that we will do all that this Congress can do to revive the business of the country and rehabilitate the stricken industry of the United States.

Mr. JONES of Washington. Mr. President, I agree absolutely with the Senator. In my judgment, we ought to have taken up the tax question first, but I suppose that under the arrangement which was finally agreed upon that is impossible now, unless it can be carried out as the Senator has just suggested.

I was rather interested this morning to see in the paper a suggestion from high authority that we would not deal with anything except tariff and taxation during this session; that we would recess three days at a time, and so on, until the committees got that legislation in shape. I would like to have the idea of the Senator with reference to that. There are many other questions of very great importance before Congress, and it seems to me that since we are here it is a good time to take care of them while the committees are getting ready the tax and the tariff questions. Some of these problems are rather pressing, and they ought to be disposed of. The fact that this is an extra session should not preclude us, in my judgment, from doing what we ought to do and getting it done as quickly as possible. I would like to have some assurance from the Senator that that will be the course while the session is on.

Mr. WATSON of Indiana. Mr. President, while I am but a meek and humble follower here and can speak for nobody but myself, so far as I am personally concerned, I was never in favor of running away from any proposition. I know of no reason why we should not meet the problems which confront us and find a proper solution for them as they are presented to us from time to time. Nobody has suggested to me that there should be an adjournment from time to time; I have not heard of it.

I noticed in the paper this morning such a statement was made; but even with the great respect I have for newspapers, I occasionally question something I see in them, though, of course, I may be guilty of treason or lese majeste when I make that statement.

Mr. JONES of New Mexico. Mr. President, I have listened with a good deal of interest to the remarks of the Senator, but I should like to inquire whether there is anything on the program which seeks to rehabilitate our foreign commerce? Only a short time ago our foreign commerce amounted to about \$13,000,000,000 a year. It has now dwindled to the vanishing point, and I would like to know whether or not the Senator and those associated with him in outlining the program for Congress has had under consideration anything for the purpose of reviving the foreign commerce of the country, and whether or not that is not an important element in the revival of business inside of the country?

Mr. WATSON of Indiana. Mr. President, certain steps were and are essential in order to revive foreign commerce. First is the settlement of the German reparations. With that we could not have anything to do under our policy. That has been settled; and until it was settled, as a matter of course, the conditions abroad were bound to remain topsy-turvy, because all industry was in turmoil and agitation. There was nothing settled. We could do no business with them, and they could do but little business with us, until the determination of that question. That was the first step in the rehabilitation of the industrial situation in Europe, and that has been taken.

In my judgment, the second essential step is a declaration of peace with Germany. That will soon be an accomplished fact, because I am informed that when Senator LODGE returns next Monday that question will be taken up and finally disposed of, and, in my judgment, that is a vital step in our relationship in an industrial and commercial way with European countries.

As a matter of fact, we must look, too, to the welfare of the merchant marine, and that has already been entered upon. The President has appointed a new Shipping Board, and I think one which appeals to the confidence of the country, and one which will work out the gigantic problems with which it has to deal. The merchant marine is one of the great questions that is before us, because we are not justified in paying foreign nations \$400,000,000 every year to carry our commerce overseas to other people waiting to receive it.

Mr. JONES of New Mexico. I think the people of this country are growing impatient, and that they are not satisfied with a mere prospect of a declaration of peace with Germany. It seems to me that they realize that a mere declaration of peace does not rehabilitate anything; that after the declaration of peace, if commerce is resumed, there must be a peace treaty, and that there must be some affirmative, active steps taken before we can influence in the slightest degree the business interests of this country. It seems to me that if the program of the present administration is to stop where the Senator has left it, the people of this country will be sorely disappointed.

Mr. WATSON of Indiana. Mr. President, my friend from New Mexico is harking back to the League of Nations, and still has that in his mind as the one essential thing to restore peace on earth, good will toward men, and prosperity to all mankind. I do not agree with him, and I think that just as soon as we shall have passed the peace resolution with Ger-

many we can then with perfect safety enter upon trade relations with her, and will do so in the old way, and that it will not be necessary to wait until the formulation and ratification of a final treaty before we shall, to the very full, resume commercial relations with that country, and with all of Europe. I have no doubt about that. But, of course, they must first get into a condition where they can buy from us and we can sell to them.

Mr. HARRISON. In that connection there are a great many people in the United States who do not agree with the Senator from Indiana on the proposition of a League of Nations or some other kind of peace except a separate peace.

Mr. WATSON of Indiana. Not very many.

Mr. HARRISON. In that connection I hope the Senator will not object if I ask unanimous consent to include in the Record a very interesting letter that was written of date June 15, just a few days ago, by a very distinguished pro-league Republican, or independent, I might say, to President Harding, and with the letter I should like to incorporate, following it, the names of 31 distinguished Republicans, including Charles Evans Hughes, Herbert Hoover, and Elihu Root, who signed a petition from the American people to the present President that that is the best way to get peace.

Mr. WATSON of Indiana. I should object to the incorporation of any such letter in my remarks.

Mr. HARRISON. Then following the Senator's remarks?

Mr. WATSON of Indiana. That is all right, but I do not care to father the letter.

Mr. HARRISON. That will satisfy us entirely.

Mr. WATSON of Indiana. I shall interpose no objection to the printing of the letter in the Record, but I do not want it incorporated as a part of my remarks, because it is wholly foreign to anything I have in mind and I disagree with it entirely. I do not believe there is any such animal as a pro-league Republican. The Senator might as well talk about a white blackbird.

Mr. HARRISON. One of them was Elihu Root, another was Charles Evans Hughes, and there were others. This was before the election, of course.

Mr. WATSON of Indiana. Oh, before the election!

Mr. HARRISON. I do not know how they stand now.

Mr. WATSON of Indiana. That is an old, old document, antiquated and exploded and almost forgotten, is in the rubbish heap and is no longer to be considered.

The VICE PRESIDENT. Without objection the letter will be printed in the Record at the close of the remarks of the Senator from Indiana.

Mr. KING. Mr. President, will the Senator yield?

Mr. WATSON of Indiana. I do.

Mr. KING. I have a great deal of confidence in the broad views of the Senator from Indiana respecting the steps to be taken in order to bring prosperity to the United States and to the world. I was greatly interested in the suggestion of the Senator that we must establish trade relations with Germany. I most heartily agree with the Senator in that declaration and I infer from what the Senator said that our prosperity is linked largely to the prosperity of other nations and depends upon having extended trade relations.

I am interested to know, in view of the statements which are constantly made as to the tariff policy of the Republican Party, how we are going to trade with Germany and how we are going to trade with other nations if we are to have embargoes and high tariff duties exceeding in their vastness and immensity the Payne-Aldrich tariff schedules—

Mr. WATSON of Indiana. Of blessed memory!

Mr. KING. Will the Senator please tell us how we are going to trade with Germany or have Germany trade with us if we are to exclude from our own land the exports of other countries?

Mr. WATSON of Indiana. I do not intend to enter this field this afternoon, inviting as it is. It is the old, old cry of our free-trade friends that we can not sell to other countries unless we buy from other countries. That has been disproved all along the line of our country's history. If I had the facts here I could astonish my friend from Utah, if he is not familiar with them. They show just what we did all the time we had those high protective tariff laws. The other nations do not buy from us because they love us. They buy from us because there is no place else to go and get the goods. They will continue to do so in the future, just as they have in the past, and we shall have no trouble building up our industries under a protective tariff that will protect the American laboring man in the factory, in the mine, on the farm, and wheresoever he may be employed, against injurious competition from abroad.

The Senator understands the argument. I am not going into that field at this time. Everybody is entirely familiar with it,

and I believe that if the American people are satisfied on any proposition, it is that there must be a protective tariff in order to restore prosperity in the United States. Does or does not the Senator believe that?

Mr. KING. I do not believe that the protective tariff per se ever did or ever will establish prosperity. I agree that we should have a tariff for the purpose of raising revenue, and I believe that in imposing that tariff it should be so laid and so levied as not to discriminate against any section or against any class, and that if we impose a tariff upon the finished products there is no reason why there should not be a reasonable tariff upon the raw materials. We must have some revenue from tariff duties. The Democratic theory, as announced in the great tariff act of 1846, is one that the Republicans must come to if there shall be genuine prosperity in this land.

Mr. WATSON of Indiana. Since the Walker tariff was enacted in 1846 we have had but two or three spasms like unto that, and every time it has been invariably accompanied by commercial disaster and industrial depression, and we have never gotten away from those periods of depression until we could have a protective tariff.

Mr. KING. If the Senator will pardon me—I appreciate his graciousness—I invite his attention to a statement made by Mr. James G. Blaine in his admirable and entertaining book, in which he discussed the Walker tariff schedules and the benefits that were derived thereunder. He said it was the best tariff this country had ever produced.

Mr. WATSON of Indiana. I dislike very much to challenge the recollection of my friend from Utah, but he must have dreamed that, for Mr. Blaine, when he went on to explain why we had something of a measure of prosperity under the Walker tariff, explained it by saying, first, that we discovered gold in California, which brought out large sums of money and put it into channels of trade theretofore unknown; secondly, because there was a great famine in Ireland that led to excessive exports abroad that we had never enjoyed before; and, thirdly, because of the Crimean War, which was then being fought, which induced tremendous exports from this country abroad, and that just as soon as those fictitious conditions had passed away and we got the full effect of the Walker Tariff Act of 1846 we went into a condition of depression theretofore unequalled in the history of the United States except under a similar tariff of 1837. That is what Mr. Blaine said, and he was right.

Mr. POMERENE. Mr. President—

Mr. WATSON of Indiana. I yield to the Senator from Ohio.

Mr. POMERENE. Of course, we all realize how exceedingly prosperous the farmers of the country have been since the emergency tariff bill was passed. I wish to observe in this connection that just a day or two ago I had a letter from a very prominent newspaper man of Ottawa, Canada, in which he said that since the passage of the emergency tariff bill American goods in Ottawa were being boycotted and British goods were being purchased now.

But that is not what I rose to say. The Senator took occasion to criticize the House, and if I may be permitted—

Mr. WATSON of Indiana. Criticize the House? Oh, no; I beg the Senator's pardon.

Mr. POMERENE. Well, he criticized the program in favor of tariff legislation rather than revenue legislation.

Mr. WATSON of Indiana. Does the Senator agree with me?

Mr. POMERENE. I agree with the Senator, if I can do so under the parliamentary rules regulating this body.

However, there is another subject that interests me very much. A few weeks ago the Senate, on a roll call and by a unanimous vote, approved the so-called Borah amendment requesting the President to arrange for a conference with Japan and Great Britain looking to a limitation of armament, and, of course, thereby conserving the revenues of the country. A day or two ago Lloyd-George was reported to have said that he would welcome overtures from the American Government looking to some program for disarmament.

Now, under those circumstances does the Senator think it would be right to mutilate the Borah amendment? Ought it not to be passed, and when it is passed ought not the President immediately to appoint his commissioners looking to a reduction of armament, so that we can save to our people the large amount of money which we shall be compelled to raise by increased taxation in the event the armament program goes on? I would be interested in having the views of the Senator from Indiana.

Mr. WATSON of Indiana. Well, I do not disagree with my friend from Ohio. I voted for the Borah resolution because I believed in it. I have no doubt that if it be enacted into law, which I trust it may be, the President will immediately proceed to act in accordance with its provisions. In fact, with



all due deference to my distinguished friend from Idaho [Mr. BORAH], I think the President would have so proceeded anyhow, and I know that with the resolution of Congress behind him stimulating him, if, indeed, he needed stimulation through legislative action of this kind, he will doubtless proceed in that way.

Mark you, I do not assume to speak for the President. I have no authority whatever to voice his sentiments on the floor of the Senate, but I well know what his views are with reference to disarmament, and I well know what he intends to do. I feel quite sure that he was in no way displeased with the introduction or the passage of the Borah resolution, and that he will conduct himself cheerfully in accordance with its provisions and its terms.

Mr. President, I have been led far afield from the original purpose of my talk when I rose, which was simply to say that I think we should pass tax legislation before we pass tariff legislation. I am not talking about the past and not criticizing anyone. I must disabuse the mind of my friend from Ohio [Mr. POMERENE] of the thought that I am criticizing anybody. I am not. I am stating purely a condition. In the midst of the extreme situation that confronted us, no one was to blame for having taken that step at that time; but in my judgment the wise thing to do to revive business will be to permit the business world to know what the tax burden is going to be in the future, and after that we can discuss the tariff and subsequent questions that may confront and perplex us.

Mr. KING. Mr. President, will the Senator yield further to me?

Mr. WATSON of Indiana. Certainly.

Mr. KING. I am not sure whether I correctly understood the Senator a moment ago. Of course, I yield to his historical knowledge; but as I understood his position when I alluded to Mr. Blaine, it was that the Walker Tariff Act was born contemporaneously with the Crimean War and that its success was attributable to the Crimean War. Of course, the Senator will recall that the Crimean War was 10 years after the Walker Tariff Act, and that it had such an inconsequential effect upon our domestic and foreign commerce that we can not attribute the benefits of that act to the Crimean War, which occurred 10 years after the Walker Tariff Act was enacted.

Mr. WATSON of Indiana. I certainly made no such statement as the Senator has attributed to me. I stated the three reasons that Mr. Blaine gave why there was a measure of prosperity under the Walker Tariff Act of 1846—first, the discovery of gold; second, the famine in Ireland; third, the Crimean War. The Crimean War occurred in 1854, the Walker tariff law was enacted in 1846, and those three things in succession caused the degree of prosperity we then had; and after they passed away then we got down to the real thing, just as we always do under a Democratic free-trade law, and that was the depression that always results, and we escaped from it only by the enactment of a protective tariff, and that is one of the measures we must adopt to enable us to escape from the deplorable conditions existing in the United States to-day.

[Letter with annex No. 1 presented by Mr. HARRISON during Mr. WATSON's speech and ordered to be printed in the RECORD at the close of his remarks.]

"HAMILTON HOLT'S LETTER TO PRESIDENT HARDING, DATED JUNE 15, 1921.

"It is now six years that the League of Nations issue has been before the country. It is now two years that you, as Senator, presidential candidate, President elect, and President, have had the League of Nations issue officially before you for action.

"As Senator you voted to have the United States enter the existing league provided the Lodge amendments were made part of that act of ratification.

"As presidential candidate you left the country, and even your own followers, in doubt as to your attitude. Thirty-one preeminent Republicans, (1) among whom were your Secretary of State, Mr. Hughes, and your Secretary of Commerce, Mr. Hoover, assured their fellow countrymen that you would go into the existing league. Senators BORAH and JOHNSON and the other 'irreconcilables' assured them you would not.

"As President elect you did not see fit to disclose your attitude on the league beyond what you had said during the campaign. Both the 'thirty-one' and the 'irreconcilables' claimed you for their own.

"As President, however, you have unequivocally repudiated the existing League of Nations (2) whose area comprises considerably more than half the earth and whose population numbers three-quarters of the human race. (3) You even permitted without rebuke your ambassador at the Court of St. James (4) to say that you will have nothing to do with any

'commission or committee appointed by the league or responsible to it directly or indirectly, openly or furtively.'

"You have, nevertheless, as presidential candidate, repeatedly promised during the campaign, and as President you have reiterated that promise, that you will seek to establish 'an association of nations based upon the application of justice and right, binding us in conference and cooperation for the prevention of war and pointing the way to a higher civilization and international fraternity in which all the world might share.'

"You have not yet given the American people the slightest inkling of the terms of this Harding association that you propose shall supplant the Wilson league. Has not the time come, I respectfully ask, for you to do this?

"Surely you can not expect the 48 members (5) of the present league to scrap it and come into your association unless two things are perfectly clear:

"First. That the new association is substantially as good as, or better than, the existing league; and

"Second. That this time a proposal of a President of the United States will have the permanent and overwhelming support of the American people.

"You are a statesman of sufficient experience to know that our people will not support your association—no matter how excellent—without the fullest preliminary discussion. Events of the last two years have demonstrated this. You can not, therefore, hope to get public opinion behind your association without taking your countrymen into your confidence.

"Even if your own party were completely united on the issue, you would still have to get some Democratic support to assure the ratification of your association by two-thirds of the Senate. As your party was the one that first made the league a party issue, the Democratic Senators would be only human now if they turned the tables and also made your association a party issue. They control more than a third of the votes in the Senate and they can block you as you and your colleagues blocked Mr. Wilson.

"If you expect to gain Democratic support it is incumbent upon you to propose an association so concrete and effective as to commend itself to the enlightened sense of both parties. Therefore, the quicker you take the American people into your confidence the better.

"There is another and even more important reason why you should disclose the details of your plan at once. The world is on the brink of revolution, famine, and pestilence. The only two great ideas that have come out of this war as world panaceas are the League of Nations and bolshevism. If you repudiate the existing league and delay too long suggesting anything in its place, you run the very real risk of making the world believe you have no plan at all, and if that comes to be generally believed, can you guarantee that the world would not turn to bolshevism?

"Mr. President, the time has come for you to redeem your promises. The country and the world have waited long enough to know just what kind of an association of nations you have in mind. If you delay much further people everywhere will inevitably conclude that either you have no concrete plan at all or else that you propose to put party harmony above world welfare. In that event there will be nothing left for those who want America to play her rightful part in stabilizing the world but to organize the country so as to capture Congress for the league in 1922 and the presidency in 1924. This can be done, for the vast majority of the American people—Republicans as well as Democrats—want the United States to enter some sort of a league or association with enough 'teeth in it' definitely to hasten the day when, as Victor Hugo prophesied, 'the only battle field will be the market opening to commerce and the mind opening to new ideas.'

#### ANNEX No. 1.

LIST OF 31 PROLEAGUE REPUBLICANS WHO SIGNED MANIFESTO OCTOBER 15, 1920.

(For actual manifesto see Research Bulletin No. 1.)

Charles Evans Hughes.	Henry W. Taft.
Herbert Hoover.	Oscar S. Straus.
Elihu Root.	George W. Wickersham.
Henry L. Stimson.	Jacob Gould Schurman.
Lyman Abbott.	Charles A. Richmond.
Paul D. Cravath.	William Allen White.
Nicholas Murray Butler.	W. W. Willoughby.
Samuel McCune Lindsay.	George A. Pilgrimage.
A. Lawrence Lowell.	Robert Brookings.
John Grier Hibben.	Alexander C. Humphries.
Frank J. Goodnow.	Ernest M. Hopkins.
William H. P. Faunce.	Charles W. Dabney.
Warren Gregory.	Isaac M. Ullman.
William Lawrence.	Samuel Mather.
John Henry McCracken.	Ray Lyman Wilbur.
Henry S. Prichett.	

Mr. BORAH. Mr. President, I do not rise to enter into debate with the Senator from Indiana [Mr. WARSON] as to his program; nor to express any dissent from his views so far as concerns his preference for tax legislation to tariff legislation. I only suggest to the Senator from Indiana that the readjustment of the question of taxes will not be sufficient to insure the return of prosperity. Something may be done to ameliorate the situation and doubtless a readjustment of some of the taxes will be found to be wise and beneficial. The details of all those things I am not now going to discuss, but there is this which is disturbing the minds of business men all over the country, and that is the amount of the taxes which we have to raise regardless of where the particular levy rests.

Mr. President, in 1920 the expenditures of the Government, I now find, were a little over \$8,000,000,000. That was some two years after the close of the war. Looking at the program as it is, either definitely presented or nebulously proposed, I can see no reduction in the taxes for the next year. It does not make any difference what nice readjustments we may make as to the place of levy, if we do not find some method and some means by which to lower the expenditures of the Government we are not only going to have the depression which we now have, but, in my judgment, we are soon going to reach a point beyond which the people will carry the load no longer. In other words, as stated by the Senator from Utah [Mr. SMOOT], sitting in front of me, who is an authority upon the subject, we will reach a point where they can not carry it; and I see no program for reducing expenditures, though I think that that is absolutely essential to a successful program of the party in power. Without reduction of taxes there is no hope of prosperity, no hope of business revival.

That brings me, Mr. President, to the consideration for just a moment only of a bill which was reported in the last two or three days, and to which the Senator from North Dakota [Mr. McCUMBER] addressed his attention to-day, which is known as the "bonus bill," but which is euphoniously called the "World War adjusted compensation bill." I do not desire to criticize the committee which has had this measure under consideration for so long, and any remarks which I make must be understood as being purely impersonal, but, in my humble opinion, if the Republican Party wants to do a really courageous and patriotic thing it will send this bill back in to the committee and make a bill out of it instead of, what I regard it, a pretense. They will recommit this bill to the committee and either present a bona fide compensation bill for the soldiers or they will say that we are not in a condition in this country now to do that. The latter proposition, in my judgment, is the patriotic thing.

The report on the bonus bill undertakes to disclose, first, that we can pay the soldiers \$4,500,000,000, and, secondly, that it will not cost the taxpayers anything to do it. It seeks to sustain this theory in this way: First, it postpones the payment to a time far in the future; and, secondly, it then promises the taxpayer that when we do come to pay, the foreigners will pay our soldiers.

Mr. UNDERWOOD. In other words, from one cause or another, when that time comes the taxpayer will be dead?

Mr. BORAH. Yes.

Mr. President, this bill specifically provides that no part of this payment shall begin until the 1st day of July, 1922. If that be the intention, why is this Congress passing such legislation? Simply because we dare not impose upon our present constituency, in the existing condition of the country, an obligation of \$4,500,000,000 and tell them that we have done so, and still we want to hold out to the soldiers we are making good.

Although the Senator from North Dakota says that this is an honorable financial obligation, we are not willing to say that we will start paying it; but we are simply pledging posterity to fulfill our contract to pay the soldiers. We make the promise, but we do not fulfill—we do not even start to fulfill, but put fulfillment off to another day, and in the meantime assuring the taxpayer that when that day comes he will not have to pay it, or if he does, he will then be prosperous and never miss it. It is not a very creditable performance.

I object to it, Mr. President, first, for the reason that it does not perform the obligation which exists—if it does exist—and secondly, because I am utterly opposed to a cash proposition of any character. It is based upon a wrong principle, upon a wrong theory; and, in my judgment, we make a mistake when we think that the American soldier will be content with our attempt to satisfy him with \$50 on the 1st day of July, 1922, and \$50 every four months thereafter until he gets \$400 or \$500, and then call that compensation for his willingness to sacrifice in the Great War. You place his standard of patriotism, as well as his standard of honor, entirely too low.

Let me refer to the report, Mr. President, for the bonus bill is going out to the country to-day, and it is thoroughly misunderstood, in my judgment, from reports which are prevalent. Every soldier who has written to me about it understands that as soon as the bill passes he is to get from \$500 to \$600 to put in his pocket. I am glad to say that some have condemned the whole theory of cash payment. The report states:

The bill as reported requires no payments under the principal provisions, Titles II and III, the cash plan and the insurance plan, until after July 1, 1922.

On July 1, 1922, this Congress will, in a sense, be passing out of existence; its Members will be again going to their constituencies for a renewal of authority; and we are making a promise which must be ratified or condemned in that election of 1922. We postpone the pinching of the taxpayer, so as to keep him quiet in 1922, and we say to the soldier, "Your payments will soon begin." Thus we hope to get by. The report continues:

As in all probability only a very small per cent will apply under the other features of the bill, the vocational training, farm and home aid, and land-settlement plans, the sum necessary to meet those claims prior to July, 1922, will be unimportant.

Two years and more have passed since the soldiers came home, since the World War closed, but now we are proposing to pass a bill, which we say is based upon a solemn financial obligation, and to postpone the payment a year longer, making nearly three and a half years after their services in the contest actually ceased. These men will have settled back into life; they will have readjusted themselves; they will have done the best they could; the crisis will be over; and then we propose to pay them \$50 for the first time and \$50 every four months thereafter. Is this really helping the men; is this meeting a situation, or is it playing politics with the people's money? If we owe and can pay them, let us pay them. If we owe them but can not pay them, let those who must do the paying do the legislating. As I said, I do not believe in a cash bonus—it is degrading to the soldiers—but if I did believe in it I would provide for payment, and in a way which would help them. To my mind, this plan is utterly unjust both to the soldier and to the taxpayer, and it is discreditable to the Senate of the United States. Again the report says:

It will be seen that no payment of importance will be required until after July, 1922, giving ample opportunity to adjust the estimated Treasury deficits.

At the rate at which we are going will we be any better off a year from now than we are now? It is true, Mr. President, that in all probability it will give us time to estimate the "Treasury deficits," but it will not give us time to take care of the "Treasury deficits," for, according to the proposed program before us, the Treasury will be in no better condition on the 1st day of July, 1922, than it is now.

And, by reasonable economy, to meet the added liability incurred by this legislation without any increase in taxation.

Mr. President, that is simply a postponement by the impecunious debtor to another time, when we hope, like Micawber, that something will turn up.

Without attempting the allotment of any prospective receipts, but merely as a suggestion of one means of meeting the obligations of this measure, the committee beg to remind the Senate that there will undoubtedly be funded into long-time bonds the debts due this country for money advanced our associates in the World War.

How will the funding of the foreign debt into long-time bonds add anything to the Treasury of the United States, particularly if the scheme which is proposed in certain quarters is adopted whereby the interest upon the foreign debt shall be postponed for 10 years? What possible comfort will the American taxpayers get out of any scheme which is now proposed with reference to the method of paying the foreign debt? We know that by reason of the conditions which prevail in France and Belgium and England they are not proposing to pay any portion of their debt within the next 10 years. They are far more embarrassed financially than we are. We may fund the foreign debt, but unless we get the interest which is now due and collect the interest from this date on, and unless we get some payment on the principal, there will be no relief from that source. Does anyone think we will?

The Allies having now agreed with Germany upon the amount of reparations to be paid by Germany to them will be in a position to use the funds received in reparations to meet the interest on their obligations to the United States. The interest on these bonds will, in our opinion, more than care for the payments necessary each year to meet the requirements of this proposed legislation.

Now, candidly is there a member of the Finance Committee who really believes that we will get any interest on those bonds at all between now and the 1st of July, 1922? Are we willing to go so far in trifling with facts and figures; are we willing to hazard our integrity of purpose by holding out to the taxpayer



that by 1922 or 1924 he will get relief from the foreign loan? Look at these countries and then blush with shame when you tell the American taxpayer that relief from that source is in sight. Though financially pressed, though we see no relief, we can at least preserve our reputation as a party by being sincere and honest. We know, if we are correctly informed, that the powers that be in the financial world and who dictate the financial policy of this country, regardless apparently of what party is in power, have already suggested that the payment of interest be postponed for 10 years, presumably, I suppose, so that these foreign powers can pay the interest upon their private loans.

The total advances made by this Government during the war to our associates aggregated \$9,580,823.677, of which there has been repaid \$114,540,505.

Then an estimate is made with reference to certain specific Governments.

So, Mr. President, the taxpayer is informed that there will be no additional burden, although we are obligating the Government to pay from \$1,500,000,000 to \$4,500,000,000, and the only substance of the promise which is made to the taxpayers consists of the fact that we propose to obtain the necessary amount from the impecunious and practically insolvent nations abroad. I say again that the Finance Committee, as representing the integrity, the good faith, and the patriotism of the Republican Party on the questions of finance, should take this bill back into its committee and bring out a bill based upon our resources which we ourselves may dare to put before our constituencies to-day and be willing to defend before them, and not put the burden upon posterity nor upon the foreigner to take care of American soldiers.

Another thing, Mr. President. Let us look at the land-settlement provisions of the bill. Why is it called a "land settlement"? This is the land settlement which is offered to the American soldiers:

SEC. 601. On the opening of public or Indian lands to entry, or the restoration to entry of public lands theretofore withdrawn from entry, such opening or restoration shall, in the order therefor, provide for a period of not less than 60 days before the general opening of such lands to disposal, in which period veterans who have chosen the benefits of this title shall have a preferred right of entry under the homestead or desert land laws.

The soldier is given the munificent opportunity of going out and having a preference right for 60 days in connection with any opening of Indian lands or public lands with reference to homestead or desert-land entry. I think I know something about the condition of public land in the United States, and any soldier who goes there will have very little contest, indeed, in these days, very little opposition to securing the first choice. All public lands of the United States upon which men can make homes without having a fortune to start with have been exhausted. You can no longer go into the great prairies or the fertile valleys of the West and select out great agricultural areas and locate yourself, and there build a home by simply the efforts of yourself, your wife, and your children. They have been taken up to such an extent that there are no longer lands except those which are harsh in their nature, difficult to reclaim, and require not only extraordinary effort but a bank account to start with. Yet the only land-settlement proposition here is to give the soldier an opportunity for 60 days to get that piece of land which nobody in the world is now trying to get.

Mr. McNARY. Mr. President—  
The PRESIDING OFFICER (Mr. MOSES in the chair). Does the Senator from Idaho yield to the Senator from Oregon?

Mr. BORAH. I do.  
Mr. McNARY. I want to state to the Senator from Idaho that that provision is the present law.

Mr. BORAH. Exactly.  
Mr. WADSWORTH. Yes; but the Legion did not know that.  
Mr. BORAH. The Sinnott resolution covers the matter practically as it is in this bill.

Mr. President, I should like to see the United States Government without any expenditure, but simply by the loaning of its credit, aid the soldier who wants to acquire a home or who wants to acquire a place in which to live. I should like to see the Government undertake that task, and it could do so ultimately without the expenditure of a single dollar of money. The most important feature connected with the entire soldier settlement or compensation proposition is that of enabling the soldier who desires it to acquire a home or to acquire a piece of land by purchase or in any way that it can be secured by law; and there could be provisions made, based upon the principle of the reclamation law and the swamp-land law, by which the Government, by loaning him credit or by assisting him to get credit, could aid him in his personal endeavor to secure his home. To that kind of a proposition I can give my assent;

but proposing here a so-called land settlement, which is no land settlement at all, to secure him a home where there is no home and no method by which he can get a home, is not dealing fairly with the soldier upon that question.

I am informed by a member of the American Legion that over 150,000 soldiers have already signified their desire to acquire homes or small farms if they could have assistance—not gifts, not donations, but that which would sustain them until their energy and their industry would work it out—which is a laudable thing upon their part, and would be an honorable thing upon the Government's part and in accord with proper governmental and economic principles.

The farm or home aid provision, Title V, is a little better, but very little. It gives no aid to the soldier except the aid which he may get by virtue of this extra compensation, which is provided for.

So, Mr. President, altogether the most important part of this bill, that which would contribute to the industry, the frugality, the encouragement of the soldier in securing a home, is an absolute blank in the bill.

The Senator from Indiana [Mr. WATSON] has left the Chamber, but I wanted to ask either the Senator from Indiana or some one else who speaks here with authority whether it is really proposed to undertake to put this measure through as an expression of the good faith of the Republican Party toward the soldier of the late war? It is now nearly three years since he came home, and we propose to give him \$50 upon the first day of July, 1922, and \$50 every four months thereafter until he gets \$500.

Mr. President, an investigation now being carried on is revealing the neglect which this Government has been guilty of toward those who came back from the war broken in health and mangled in body and possibly shattered in mind. The excuse is that we have been hard pressed to find the funds. Let us take care in a proper, even generous way of these brave fellows who have felt the dread curse of war. And let us postpone this matter until that sacred obligation is fulfilled. Every ex-service man would, in my opinion, gladly acquiesce in such a course. I do not desire to say more to-day, but later this matter shall have further consideration.

Mr. KING. Mr. President... a few moments ago, when the Senator from Indiana [Mr. WATSON] was speaking, I ventured to propound a question, and called his attention to a statement made by James G. Blaine relative to the Walker tariff. The Senator and I did not quite agree as to the statement of Mr. Blaine. I therefore sent for Mr. Blaine's work, Twenty Years of Congress, and I will read a line or two from page 196 of the first volume.

In speaking of the Walker tariff bill, Mr. Blaine says:

The Whig victory of 1848 was not sufficiently decisive to warrant any attempt, even had there been desire, to change the tariff. Gen. Taylor had been elected without subscribing to a platform or pledging himself to a specific measure, and he was therefore in a position to resist and reject appeals of the ordinary partisan character.

May I add, by way of parenthesis, Mr. President, that unfortunately the Republican Party now does not occupy the commanding position held by the Whig Party then, nor does it possess that moral advantage that was enjoyed by the last-named party. It is not in a position to repel the demands for prohibitive tariffs and embargoes which now are pressed by those seeking special privileges and monopolistic advantages, and the result of which will be that a tariff act will soon be offered by the Republican Party which will be a discredit to such party and injurious and oppressive to the people of the United States.

Money became very abundant after the year 1849.

That is, when the Walker Tariff Act was in operation.

Large enterprises were undertaken, speculation was prevalent, and for a considerable period the prosperity of the country was general and apparently genuine. After 1852 the Democrats had almost undisputed control of the Government and had gradually become a free-trade party.

I do not agree with Mr. Blaine in the last statement. The Democratic Party never was a free-trade party.

The principles embodied in the tariff of 1846—

That is, the Walker tariff—

seemed for the time to be so entirely vindicated and approved that resistance to it ceased, not only among the people but among the protective economists, and even among the manufacturers to a large extent. So general was this acquiescence that in 1856 a protective tariff was not suggested or even hinted by any one of the three parties which presented presidential candidates.

Mr. President, that, in substance, is what I declared; and it is a vindication by Mr. Blaine of the tariff act of 1846, under which general prosperity was enjoyed by the American people.

## SEASONAL COAL RATES.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1806) to further amend the interstate commerce act, as amended, to provide for seasonal rates for the transportation of coal.

Mr. KING. I offer two amendments to the pending bill and ask that they may be printed and lie on the table.

The VICE PRESIDENT. That order will be made.

Mr. STANLEY. I offer an amendment to the pending bill and ask that it may be printed and lie on the table.

The VICE PRESIDENT. That order will be made.

Mr. LA FOLLETTE. I present certain amendments, which I request may be printed and lie on the table.

The VICE PRESIDENT. It will be so ordered.

## EXECUTIVE SESSION.

Mr. CURTIS. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After eight minutes spent in executive session the doors were reopened, and (at 4 o'clock and 50 minutes p. m.) the Senate adjourned until to-morrow, Friday, June 24, 1921, at 12 o'clock meridian.

## NOMINATIONS.

*Executive nominations received by the Senate June 23 (legislative day of Tuesday, June 21), 1921.*

## MEMBER OF THE UNITED STATES TARIFF COMMISSION.

William Burgess, of Pennsylvania, to be a member of the United States Tariff Commission for the term expiring September 7, 1928, vice Frank W. Taussig, resigned.

## ASSOCIATE JUDGE OF THE COURT OF CUSTOMS APPEALS.

Marion De Vries, of California, now an associate judge of the Court of Customs Appeals, to be presiding judge of the Court of Customs Appeals, vice Robert M. Montgomery, deceased.

## CLERK OF THE UNITED STATES COURT FOR CHINA.

William A. Chapman, of Cincinnati, to be clerk of the United States Court for China.

## UNITED STATES CIVIL SERVICE COMMISSIONER.

John H. Bartlett, of Portsmouth, N. H., to be a member of the United States Civil Service Commission, vice Martin A. Morrison, resigned.

## POST OFFICE DEPARTMENT.

## COMPTROLLER.

Charles A. Kram, of Pennsylvania, to be comptroller, Bureau of Accounts, Post Office Department.

## PROMOTIONS IN THE REGULAR ARMY.

## TO BE COLONELS.

Lieut. Col. Albert Edwin Waldron, Corps of Engineers, from June 17, 1921.

Lieut. Col. Frank Carson Jewell, Coast Artillery Corps, from June 18, 1921.

## MEDICAL CORPS.

## To be captains.

First Lieut. Willard Harry Waterous, Medical Corps, from May 30, 1921.

First Lieut. Charles Robert Mueller, Medical Corps, from December 11, 1920.

First Lieut. Harold Wade Kinderman, Medical Corps, from June 14, 1921.

## • APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY.

## ORDNANCE DEPARTMENT.

Maj. Levin Hicks Campbell, jr., Coast Artillery Corps, with rank from July 1, 1920.

Capt. Thomas Morris Jervey, Infantry, with rank from July 1, 1920.

## CHEMICAL WARFARE SERVICE.

First Lieut. Cyril Drew Pearson, Infantry, with rank from July 2, 1920.

## FIELD ARTILLERY.

Capt. William Henry Green, Quartermaster Corps, with rank from July 1, 1920.

## COAST ARTILLERY CORPS.

Capt. William Henry Sweet, Cavalry, with rank from July 1, 1920.

## AIR SERVICE.

Capt. Raymond Edward O'Neill, Infantry, with rank from June 20, 1920.

REAPPOINTMENT IN THE REGULAR ARMY.  
INFANTRY.

*To be major with rank from June 14, 1921.*

Capt. Joseph Russ, Philippine Scouts, retired.

## CONFIRMATIONS.

*Executive nominations confirmed by the Senate June 23 (legislative day of Tuesday, June 21), 1921.*

## INTERIOR DEPARTMENT.

## REGISTER OF LAND OFFICE.

Robert D. Blackwood to be register of the land office, Duluth, Minn.

## RECEIVERS OF PUBLIC MONEYS.

Robert E. Patterson to be receiver of public moneys, Duluth, Minn.

Louis W. Burford to be receiver of public moneys, Del Norte, Colo.

## POSTMASTER.

## NEW YORK.

Edward M. Morgan, New York, N. Y.

## WITHDRAWALS.

*Executive nominations withdrawn from the Senate June 23 (legislative day of Tuesday, June 21), 1921.*

## POSTMASTERS.

## CONNECTICUT.

Joseph W. Delaney to be postmaster at Greenwich, in the State of Connecticut.

## MONTANA.

John H. Hathaway to be postmaster at Wisdom, in the State of Montana.

## HOUSE OF REPRESENTATIVES.

*THURSDAY, June 23, 1921.*

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Our Heavenly Father, Thou art the judge of all things in Heaven and in earth. Reveal unto us those things that are wise and prudent that all of our labors may be rooted in intelligent conviction. In the performance of duty may we choose to suffer inconvenience and even loss rather than lower the standards of our efficiency. So teach us that our hearts may blossom charity. Then shall we be loving and considerate and do unto others as we would have them do unto us. Where there is distress and suffering give the vision of a new heart for the tasks of daily life. In the Spirit of Jesus we ask. Amen.

The Journal of the proceedings of yesterday was read and approved.

## ENROLLED BILLS SIGNED.

Mr. RICKETTS, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bills of the following titles, when the Speaker signed the same:

H. R. 2499. An act to provide for the acquisition by the United States of private rights of fishery in and about Pearl Harbor, Territory of Hawaii;

H. J. Res. 82. Joint resolution ratifying the reestablishment of the boundary line between the States of Pennsylvania and Delaware; and

H. R. 5616. An act granting the consent of Congress to the commissioners of Venango County, their successors and assigns, to construct a bridge across the Allegheny River, in the State of Pennsylvania.

The SPEAKER announced his signature to enrolled bills of the following titles:

S. 78. An act authorizing the appointment of an additional judge for the district of North Dakota;

S. 694. An act providing for the appointment of an additional district judge for the southern judicial district of the State of West Virginia; and

S. J. Res. 34. Joint resolution creating a commission to represent the United States in the celebration of the first centennial of the proclamation of the independence of the Republic of Peru.



## PACKER BILL.

Mr. HAUGEN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill H. R. 6320, to disagree to all the Senate amendments, and ask for a conference.

The SPEAKER. The gentleman from Iowa asks unanimous consent to take from the Speaker's table the packers bill, to disagree to all the Senate amendments, and ask for a conference. The Clerk will report the bill by title.

The Clerk read as follows:

An act (H. R. 6320) to regulate interstate and foreign commerce in live stock, live-stock products, dairy products, poultry, poultry products, and eggs, and for other purposes.

The SPEAKER. Is there objection?

Mr. GARNER. Mr. Speaker, reserving the right to object, has the gentleman consulted the ranking minority member, Mr. JACOWAY?

Mr. HAUGEN. I have.

Mr. GARNER. Is it agreeable to him for the bill to go to conference?

Mr. HAUGEN. It is.

Mr. CHINDBLOM. Mr. Speaker, further reserving the right to object, may I ask the chairman of the committee whether it may be his purpose, and I apprehend it will be, for the conferees to insist upon the House bill?

Mr. HAUGEN. That is always the purpose, that is always expected, and is the usual course pursued, and in this case that seems absolutely necessary. The bill has been materially weakened by the number of amendments.

Mr. CHINDBLOM. I think the Senate has very materially changed the bill.

Mr. HAUGEN. It is materially weakened, and with the amendments in the bill I doubt that it would be worth while enacting it into law.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none. The Clerk will announce the conferees.

The Clerk read as follows:

Mr. HAUGEN, Mr. McLAUGHLIN of Michigan, Mr. WARD of New York, Mr. JACOWAY, and Mr. RAINEY of Illinois.

## FISH-RESCUE STATION.

The SPEAKER. The previous question was ordered when the House adjourned on the bill to establish a fish-rescue station on the Mississippi River. The vote now is on the passage of the bill.

The question was taken, and the bill was passed.

On motion of Mr. GREENE of Massachusetts, a motion to reconsider the vote by which the bill was passed was laid on the table.

Mr. CAMPBELL of Kansas. Mr. Speaker—

Mr. GARRETT of Tennessee. Mr. Speaker, I make the point of order there is no quorum present.

The SPEAKER. It is clear there is no quorum present.

Mr. CAMPBELL of Kansas. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

Anderson	Gahn	Little	Sanders, N. Y.
Ansorge	Gallivan	Longworth	Sears
Anthony	Gilbert	Luhning	Slemp
Bell	Goldsbrough	McCormick	Smith
Bland, Ind.	Good	Mann	Snell
Blanton	Goodykoontz	Mead	Snyder
Bond	Gorman	Merritt	Stinnes
Britten	Gould	Moore, Ill.	Sullivan
Brooks, Pa.	Green, Iowa	Moore, Va.	Summers, Wash.
Browne, Wis.	Hawes	Morgan	Summers, Tex.
Burke	Hogan	Mott	Tague
Burroughs	Houghton	Mudd	Taylor, Ark.
Campbell, Pa.	Hudspeth	Mudd	Taylor, Colo.
Chandler, Okla.	Hull	O'Brien	Ten Eyck
Clark, Fla.	Husted	Paige	Thomas
Cole	Hutchinson	Parker, N. Y.	Tilson
Copley	James, Va.	Perlman	Towner
Coughlin	Johnson, S. Dak.	Peters	Valle
Dallinger	Kahn	Pou	Vare
Dempsey	Kennedy	Purnell	Ward, N. Y.
Dickinson	Ketcham	Reavis	Wason
Evans	Kiess	Reed, N. Y.	Webster
Fess	Kitchin	Riordan	Wheeler
Fields	Kreider	Rodenberg	Williams
Fish	Lampert	Rogers	Winslow
Focht	Langley	Rose	Wise
Fordney	Layton	Rouse	Yates
Frear	Leatherwood	Rucker	Zihlman
Freeman	Linthicum	Ryan	

The SPEAKER. Three hundred and eleven Members have answered to their names; a quorum is present.

Mr. CAMPBELL of Kansas. Mr. Speaker, I move that further proceedings under the call be dispensed with.

The motion was agreed to.

## ANNOUNCEMENT.

Mr. HICKS. Mr. Speaker, I ask unanimous consent to address the House for one minute.

The SPEAKER. Is there objection to the request of the gentleman from New York? [After a pause.] The Chair hears none.

Mr. HICKS. Mr. Speaker, as Members of the House know, the Navy Department has been conducting a number of experiments off the Virginia Capes in reference to striking and the destruction of war vessels. The first experiment has already been held. It began on Monday and ended yesterday afternoon. The second experiment will take place next Monday. Then there will be one or two following that. The experiment that has just taken place was witnessed by the following members of the Committee on Naval Affairs: Mr. McCLINTIC, Mr. LUFKIN, Mr. McPHERSON, Mr. O'CONNOR, Mr. STEPHENS, and myself, and that is the reason those members of the Committee on Naval Affairs have not been present during the sessions of the House the present week. I desire to add that these experiments were not only interesting and instructive, but of great value from a military standpoint, and they were carried out with dispatch, thoroughness, and without accident.

## EXTENSION OF REMARKS.

Mr. KING. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the bill just passed this morning in reference to a fish-rescue station on the Mississippi River.

The SPEAKER. Is there objection to the request of the gentleman from Illinois? [After a pause.] The Chair hears none.

## MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Craven, one of its clerks, announced that the Senate had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5010) making appropriations for the support of the Army for the fiscal year ending June 30, 1922, and for other purposes, and had agreed to House amendments to Senate amendments 3, 9, 10, and 41.

## AMENDMENT TO FEDERAL FARM LOAN ACT.

Mr. CAMPBELL of Kansas. Mr. Speaker, I submit a privileged report from the Committee on Rules.

The SPEAKER. The gentleman from Kansas submits a privileged report from the Committee on Rules, which the Clerk will report.

The Clerk read as follows:

## House resolution 122.

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (S. 1837) entitled "An act to amend section 32 of the act of Congress approved July 17, 1916, known as the Federal farm loan act."

That after general debate, which shall be confined to the bill and shall continue not to exceed three hours and be divided and controlled equally between the chairman and ranking minority member of the Committee on Banking and Currency, the amendment reported by the Committee on Banking and Currency shall be read for amendment under the five-minute rule and considered as an original bill. At the conclusion of the consideration of the bill for amendment the committee shall rise and report the same to the House with such amendments as may have been agreed to, whereupon the previous question shall be considered as ordered on the bill and all amendments thereto to final passage without intervening motion except one motion to recommit.

The committee amendment was read, as follows:

On page 1, line 9, strike out the word "three" and insert in lieu thereof the word "four," so that the line will read: "That after general debate, which shall be confined to the bill and shall continue not to exceed four hours."

Mr. GARRETT of Tennessee. Will the gentleman yield?

Mr. CAMPBELL of Kansas. I will.

Mr. GARRETT of Tennessee. Would the gentleman from Kansas object to making it five instead of four hours?

Mr. CAMPBELL of Kansas. Personally, I would not.

Mr. GARRETT of Tennessee. Will the gentleman permit me to ask unanimous consent—

Mr. CAMPBELL of Kansas. My only interest with respect to the further extension of the debate would be the question as to whether or not it would interfere with the passage of the bill to-day. I am very anxious that the bill shall be passed before we adjourn. I wonder if we could proceed with the debate under the arrangement as provided in the rule, and then if it were found necessary provide additional time later in the day?

Mr. GARRETT of Tennessee. The only difficulty about that is that the House will be in the Committee of the Whole at that time, and general debate can not be extended.

Mr. CAMPBELL of Kansas. The committee could rise for the purpose, if it was found necessary to extend the time. I am very anxious that the bill be passed to-day, and I am sure the gentleman from Tennessee is.

Mr. WALSH. Will the gentleman from Kansas yield?

Mr. CAMPBELL of Kansas. I will.

Mr. WALSH. What is the effect of the language in the rule providing for consideration under the 5-minute rule, "that it shall be considered as an original bill"?

Mr. CAMPBELL of Kansas. That it shall be subject to amendment under the 5-minute rule as though it were an original bill.

Mr. GARRETT of Tennessee. Of course, it has just one section and there will be only one 5-minute rule. Let me say to the gentleman from Kansas that I think many Members did not know that this matter was coming up to-day, Members who are very much interested in this proposition, and it seems to me that a request for five hours might very well be acceded to.

Mr. LAZARO. Will the gentleman from Tennessee yield?

Mr. GARRETT of Tennessee. I have not the floor.

Mr. CAMPBELL of Kansas. Mr. Speaker, in view of the general interest in this bill and in view of the fact that it is of such a nature that it will necessarily take a short time under the 5-minute rule, I ask unanimous consent to amend the report by inserting "five hours" instead of "four hours."

Mr. LAZARO. Mr. Speaker, reserving the right to object, I would like to ask the gentleman from Kansas if a Member who wishes to discuss agriculture in a general way and at the same time touch upon this bill would be prevented from doing it in general debate by the rule?

Mr. CAMPBELL of Kansas. The rule provides that it shall be confined to the subject matter of the bill, but agriculture is a very extensive subject.

Mr. GARRETT of Tennessee. That is a question the Chair will have to determine if anybody makes the point of order.

Mr. McLAUGHLIN of Michigan. Mr. Speaker, reserving the right to object, if the time for general debate is extended to five hours and there will follow discussion under the 5-minute rule, the gentleman realizes we may be here at 7 o'clock, when it looks to many of us that this is brought in to fill in the day and to kill time. To keep us here under those circumstances until 7 o'clock would be unreasonable.

Mr. BARKLEY. Does not the gentleman know that this law is intended to benefit those that have to work longer than that?

Mr. McLAUGHLIN of Michigan. I venture that there will not be a dozen votes against it, and the length of time we intend to take for discussion is, in my judgment, unnecessary and unreasonable.

Mr. CAMPBELL of Kansas. In answer to the gentleman from Michigan, if it is found necessary to do so, the vote on the bill could go over until to-morrow morning after the previous question has been ordered. I submit that the matter is of great interest to Members as well as to the country, and we might spend the time to-day discussing the bill. The time for general debate under the 5-minute rule will necessarily be limited.

Mr. McLAUGHLIN of Michigan. What I think is, that if the general debate is to be continued so long, the vote ought to be put off until to-morrow.

Mr. CAMPBELL of Kansas. I think that may be done.

The SPEAKER. The gentleman from Kansas [Mr. CAMPBELL] asks unanimous consent that general debate be five hours instead of four. Is there objection?

Mr. LAZARO. Reserving the right to object, will the gentleman from Kansas yield?

Mr. CAMPBELL of Kansas. I yield.

Mr. LAZARO. Would the gentleman object to removing the restriction confining the debate?

Mr. CAMPBELL of Kansas. In view of the fact that we are extending the time because of the general interest in the subject matter, I think we should confine it to the subject matter of the bill.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none. The question is on agreeing to the resolution.

Mr. GARRETT of Tennessee. I suppose the gentleman from Kansas intends to move the previous question?

Mr. CAMPBELL of Kansas. I move the previous question.

The previous question was ordered.

The SPEAKER. The gentleman from Kansas [Mr. CAMPBELL] is recognized.

Mr. CAMPBELL of Kansas. Mr. Speaker, I yield to the gentleman from Kentucky [Mr. CANTRILL].

Mr. STAFFORD. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The Chair does not understand that there is to be general debate on the resolution. There has been 10 minutes' debate.

Mr. GARRETT of Tennessee. That was on a unanimous request for amendment.

Mr. CANTRILL. Mr. Speaker, I will state that the general agreement in the Committee on Rules was that the chairman would move the previous question so as to have a few minutes' debate on the rule. I want only five minutes. That was the procedure that we supposed was being followed.

The SPEAKER. The Chair has no desire to prevent that. The only question for the Chair is to observe the rules of the House. The Chair will be glad to hear suggestions.

Mr. GARRETT of Tennessee. There was no contest in the Committee on Rules. The only thing was on the matter of time to be taken for debate. When the gentleman from Kansas presented the resolution I rose and asked him if before he proceeded he would consider a suggestion of changing the four hours, which he had requested, to five hours.

The SPEAKER. Was not that debate on the resolution?

Mr. GARRETT of Tennessee. No. That did not debate the rule, Mr. Speaker.

The SPEAKER. The Chair does not see why not, unless there is a change in the rule. The Chair suggests that the gentleman ask unanimous consent that there be 20 minutes' debate on the rule.

Mr. GARRETT of Tennessee. I would prefer that the gentleman from Kansas [Mr. CAMPBELL] should make that request.

The SPEAKER. The Chair suggests to the gentleman from Kansas that he should ask unanimous consent that there should be 20 minutes' debate on the rule.

Mr. CAMPBELL of Kansas. How much time does the gentleman from Kentucky desire?

Mr. CANTRILL. Not exceeding 10 minutes.

Mr. CAMPBELL of Kansas. I ask unanimous consent, Mr. Speaker, that there be 15 minutes' debate on the rule.

The SPEAKER. The gentleman from Kansas asks unanimous consent that there shall be 15 minutes' debate on the rule, of which time the gentleman from Kentucky [Mr. CANTRILL] shall have 10 minutes. Is there objection?

There was no objection.

Mr. CANTRILL. Mr. Speaker and gentlemen of the House, as stated by the gentleman from Tennessee [Mr. GARRETT], there was no opposition in the Committee on Rules to this resolution. In fact, the Members on the minority side are extremely anxious that this resolution should be adopted, so as to make in order this Senate bill, with the hope that it will speedily be concurred in by the House.

We all know that the farm loan act is now indorsed by practically everybody in the country. There have been heretofore several handicaps in getting the act in full operation. This bill is intended to supplement the original act so that it will be of more service to the agricultural interests of the Nation. Of course, upon a proposition like that there would be but little, if any, opposition from any source in the House of Representatives.

I realize fully, Mr. Speaker, that the House is anxious to get into the merits of this bill, and I am not going to stand in the way of the House by taking up any time as a member of the Committee on Rules. The main reason why I took the floor at all was to call attention to the fact that there was no opposition to the rule from the minority members of the Committee on Rules, and, as I am informed, it is a practically unanimous report from the Committee on Banking and Currency.

What I wanted to do primarily was to ask the consent of the House to incorporate in the Record a report from the committee on comparative credit extension, as adopted at a meeting of the National Farmers' Union in Washington, D. C., on April 22 of this year. This is a very short report, and to my mind it is one of the strongest reports that has been written on the subject of agriculture. These heads of the various farm bureaus held a meeting in the city of Washington during the month of April and adopted this set of resolutions, which are very brief, and they will, I think, throw a great deal of light not only on this bill but upon subsequent discussions in the House, and will be of great interest to the special committee which has been appointed to make a general survey of the agricultural conditions of the country. I ask unanimous consent, Mr. Speaker, to incorporate as a part of my remarks this short report of this committee of the National Farmers' Union.

The SPEAKER. The gentleman from Kentucky asks unanimous consent to incorporate in his remarks the report indicated. Is there objection?

There was no objection.



Following is the report referred to:

**LOSSES OF FARMERS, CAUSES AND RESPONSIBILITY—REPORT OF COMMITTEE ON COMPARATIVE CREDIT EXTENSION AS ADOPTED AT THE MASS MEETING OF THE NATIONAL FARMERS' UNION, WASHINGTON, D. C., APRIL 22, 1921.**

In reference to the losses of the farmer and the causes, responsibilities, and remedies therefor, your committee reports as follows:

The world demand is and at all times during and since the war has been greater than the supply of farm products. If, therefore, the law of supply and demand had been in force the farmer would have sustained no loss.

The farmer produced his last crops under the most expensive conditions and at the greatest cost. Therefore he was entitled to the highest prices and in justice there should have been no deflation of prices for these crops.

Based upon these facts and taking account of all deflation up to date, the farmer has sustained a total loss of \$7,000,000,000.

The principal direct causes of these losses are as follows:

1. Unnecessary profiteering of middlemen, which includes speculative gambling.

2. The arbitrary restrictions of credit by the Federal reserve bank and the holding up of the Federal land banks by litigation.

3. The unreasonable rise in railroad rates.

All of these causes have been created by autocratic economic power exercised under unjust laws.

Profiteering and speculation of middlemen is shown by the following facts:

The farmer is both a producer and a consumer.

The laborer is both a producer and a consumer.

Each is the principal customer of the products of the other.

Out of the dollar which labor pays for the products of the farm, the farmer only gets 38 cents.

Out of the dollar which the farmer pays for the products of labor, the laboring man only gets 35 cents.

The cost of distribution each way is over 60 cents on the dollar, and against this might be cited a cost of less than 10 cents in cooperative Denmark.

We can not reduce distribution to 10 cents in America, but it might be reduced to 20 cents. This would make a saving of 42 cents on farm products. If the farmer seeks to take all of this, he will receive no help from the public. If he is willing to cooperate and divide with his consumers, the principal of which is the laboring man, he can add over 50 per cent to the price of his products and give a reduction equal in amount to his consumer. In this all labor will gladly join.

On the other hand, there should be a saving of 45 cents in the dollar in the distribution of the products of labor. If labor seeks to take it all, it will fail. If it is willing to divide with its principal consumer, the farmer, it will succeed.

The total wages of labor are approximately \$25,000,000,000, and this goes to about 35 per cent of our people.

The total value of farm products since the deflation, including all sold and all used by the farmers themselves, does not exceed \$20,000,000,000 and that goes to about 43 per cent of our people.

If all of the returns of the farmer be counted as wages, he gets 20 per cent less total than the wages of labor and there are 20 per cent more farmers than laborers.

In addition to this the farmer had a capital investment of \$80,000,000,000 upon which he got no return, although mortgages upon it called for vast amounts of interest.

The business and other capital investments were about double farm capital, and if they had received the same return it might therefore take two ciphers to express it. Instead, this capital and the speculators got a return of about \$20,000,000,000, and this went to about 7 per cent of our people. A just distribution of this sum would give the farmers more than \$7,000,000,000 increase with but slight readjustment of the wages of labor. The capital of the farmer is just as sacred as the capital of the Steel Trust, the Oil Trust, the Beef Trust, the Tobacco Trust, the Cotton Trust, the Sugar Trust, the Railroad Trust, or the Telephone Trust, and is entitled to an equal return.

The conclusions from these facts are inevitable. The producers and consumers composed of farmers and all necessary labor of hand or brain in both production and distribution must join in such complete economic and political cooperation as to take over the distribution of their products from producer to consumer. This calls for a cooperative code, both State and National, upon the Rochdale principle.

In both the economic and political action necessary to bring this about we will be opposed by the Chamber of Commerce of the United States, because it represents both the profits of the middlemen and the speculator.

The total rediscunts of the Federal reserve bank were \$14,000,000,000. Of this sum agriculture received 14 per cent, manufacturing 21 per cent, merchandising 26 per cent, and speculation and miscellaneous 39 per cent.

Of the primary deposits in all the banks of the United States, agriculture furnished approximately 50 per cent, labor 20 per cent, and other business 30 per cent. Upon these facts agriculture would have been entitled to \$7,000,000,000 of Federal reserve credit and it got only \$2,000,000,000; it was entitled to more than manufacturing and merchandising combined and it got less than one-third as much. Under the law the Federal reserve allotment of credit is unfair to agriculture and in addition its administration has had the direct and arbitrary purpose of forcing a deflation in farm prices.

This conclusion is best illustrated by the facts in a single State. In Iowa the allotment of credit under the law was \$36,000,000. They in fact loaned Iowa \$91,000,000, but as early as February, 1920, announced these excess loans would be called when the crops were matured. This forced Iowa farmers to sell on a falling market, and sent more farmers into bankruptcy than in all the history of the State.

If Iowa's allotment has been an average of the States, it would have been nearly \$300,000,000 instead of \$36,000,000. But Iowa is far more than an average in resources. It was fifth in assessed valuation in 1919, and upon that basis was entitled to eight one hundred and thirty-fourths, or an allotment of \$832,000,000. In fact, it got \$91,000,000, and was called for two-thirds of that.

This illustrates the position of agriculture throughout the United States. As a result of this credit monopoly the speculators were enabled to force down the price of wheat 70 cents per bushel to the American farmer in 1920. At the same time they forced it up 33 cents a bushel to the starving millions of Europe. Over 300,000,000 bushels moved on this spread, and not over \$60,000,000 could be charged to increased freight rates. Therefore the speculators by this control of credit were enabled to take an extra toll of \$240,000,000 upon export wheat alone.

The remedy for this is to amend the law and require the Federal reserve to allot credit in proportion to resources, and deny all credit directly or indirectly to speculation.

Also we must have a cooperative banking code, both State and National, which enables the farmers to deposit their money under their own control and themselves decide how their surplus shall be allotted to other lines of business.

The functions of the Federal land bank should be enlarged until it will furnish long-time credits large enough in volume and cheap enough in rate to enable every farmer to own his own home.

The rise in freight rates as farm prices fall is a flagrant extortion. It is caused by a cost-plus guaranty law that puts a premium upon waste, extravagance, and mismanagement. Under this law a valuation of \$18,800,000,000 is put upon the railroads. At the same time their stock and all their bonds representing all their value could be bought on the market for less than \$14,000,000,000. Heretofore we have regarded this value too high, but this law has added to it over \$5,000,000,000 of water. It is said the advance in wages of labor caused the advance in rates. Last year maintenance expense increased \$1,406,000,000, but the amount paid for increased wages was only \$480,000,000. This leaves \$926,000,000 to explain. It is next said the causes were the high prices of steel and coal, but the same men who controlled the railroads controlled the prices of steel and coal. When the Government was operating the Pennsylvania and New York Central their locomotives were repaired in their own shops at a cost of \$4,466 each. After the roads were turned back the men in these shops were discharged, and 299 locomotives were sent to the Baldwin Co. at a cost of \$19,057 each for the same work. The Baldwin Co. is controlled by the same men who control the roads. Therefore they got more profits by increasing the expenses over 300 per cent, most of which the farmer must pay.

A unified Government regulation, under the management of honest and competent men, would reduce costs of transportation in vast amounts. The railroads now have about \$10,000,000,000 of capital at an average rate of 4½ per cent. Upon all this they have a guaranty of 6 per cent. This means a bonus of \$150,000,000. Add to this the guaranty on capital above market value and there would be a saving of \$450,000,000 on capital charge alone. Seven hundred millions could be saved on coal, steel, and other expenses when the power of the trusts is broken. The waste of competition could be reduced by over \$400,000,000. The capitalization of unearned increment at the rate of over \$300,000,000 per year would be saved. These items make a grand total of nearly \$2,000,000,000, most of which could be used in the reduction of rates, with proper readjustment of wages. The farmers pay 56 per cent of the freight rates, and have a just demand for this reduction.

To these must be added a general remedy of taxation. The millions made out of the war must be taxed to pay for the war. Up to date they have paid nothing. They have added it in and passed it on to the public. These war profits must be surveyed and a tax levied which they will pay and not pass on, in an amount sufficient to pay for the war, including any adjustment compensation that may be granted to the men who were drafted, at \$30 per month.

We request that a copy of this report be presented to the President and each member of his Cabinet, and to each Member in both Houses of Congress.

E. L. HARRISON, *Chairman, Kentucky.*  
S. W. BROOKHART, *Secretary, Iowa.*  
G. D. BAKER, *Iowa.*  
O. A. THOMAS, *Virginia.*  
J. H. MILLS, *Georgia.*  
J. M. TEMPLETON, *North Carolina.*

Mr. CAMPBELL of Kansas. Mr. Speaker, I have only this to say concerning this rule: It provides for the consideration of a bill that has already passed the Senate and has been unanimously reported from the Committee on Banking and Currency of the House, a bill in which that portion of the country engaged in agriculture is very vitally interested. I think the bill should have the attention of the House to-day, and that we should vote upon it as early as possible and have it sent to the President, so that it can become a law.

I ask for a vote on the resolution.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

Mr. McFADDEN. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of Senate bill 1837.

The SPEAKER. The gentleman from Pennsylvania moves that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of the bill S. 1837, reported by the Committee on Banking and Currency. The question is on agreeing to that motion.

The motion was agreed to.

The SPEAKER. The gentleman from Illinois [Mr. MADDEN] will please take the chair.

Thereupon the House resolved itself into Committee of the Whole House on the state of the Union for the consideration of the bill S. 1837, with Mr. MADDEN in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill S. 1837, which the Clerk will report.

The Clerk read as follows:

A bill (S. 1837) to amend section 32 of the act of Congress approved July 17, 1916, known as the Federal farm loan act.

Be it enacted, etc., That section 32 of the Federal farm loan act, approved July 17, 1916, as amended, is hereby amended by adding after the first paragraph a new paragraph to read as follows:

"Until such time as the aggregate paid-in capital stock of the 12 Federal land banks shall be \$50,000,000 or more, the Secretary of the Treasury may in his discretion make deposits in addition to those

authorized by the preceding paragraph, to be secured, redeemed, and paid in the same manner as provided in such paragraph, except that any additional deposit made hereunder shall be called by the Secretary of the Treasury and redeemed by the bank or banks holding the same within 15 days after the conclusion of each general offering of farm loan bonds by such bank or banks. The aggregate of such additional deposits outstanding at any time shall not exceed the difference between the aggregate paid-in capital stock of the 12 Federal land banks on the last day of the preceding month and the sum of \$50,000,000. The certificates of indebtedness issued to the Secretary of the Treasury by the Federal land bank for such additional deposits shall bear a rate of interest not exceeding by more than one-half of 1 per cent per annum the rate borne by the last bond issue of the land bank receiving such deposits."

Mr. WINGO. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WINGO. Mr. Chairman, as I noticed the reading, the Clerk did not report the original bill. The original bill should be reported. In other words, the original bill should be reported and the committee amendment, because we are going into the committee on a Senate bill, and the rule provides that in the consideration of that bill we should consider the House amendment as an original bill. The gentleman from Pennsylvania [Mr. McFADDEN] and I are not disagreeing about the matter. I want simply to get it in the Record, so that the Record will disclose all of it.

The CHAIRMAN. Under the terms of the rule, where the rule provides that the House amendment shall be considered as an original bill, the Senate bill has never been read.

Mr. WINGO. That is true where the rule provides that a certain House bill shall be considered; but this rule provides that the House amendment to the Senate bill shall be considered as an original bill. I think that the Record ought to show it.

The CHAIRMAN. Under the practice it is not necessary to read the Senate bill where the rule provides that the House amendment shall be considered as an original bill, and this rule provides that the House bill shall be considered as an original bill.

Mr. WINGO. But there is a rule that requires every bill considered by the House to be reported, and that has not been done. I submit that that should be done for the Record.

Mr. McFADDEN. Mr. Chairman and gentlemen of the committee, this bill, S. 1837, is an amendment to section 32 of the Federal farm loan act. Section 32 of the Federal farm loan act has twice previously been amended. To get this matter clearly before you I think I had better read section 32 of the act, so that the Members may understand just what we are doing in this respect. It is as follows:

That the Secretary of the Treasury is authorized, in his discretion, upon the request of the Federal Farm Loan Board, to make deposits for the temporary use of any Federal land bank out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not to exceed the current rate charged for other Government deposits, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$6,000,000 at any one time.

The purpose of this amendment is to increase the authority to deposit in excess of the \$6,000,000, the difference between the paid-in capital stock of the present Federal farm loan system and \$50,000,000. The present capital stock, according to the last report that I have here of the Federal farm loan system, was \$24,460,000. Under that approximately \$25,000,000 would be the highest amount that it would be necessary for the Secretary of the Treasury to deposit under this authority.

Mr. DOWELL. Will the gentleman yield for a question?

Mr. McFADDEN. I will.

Mr. DOWELL. What is the difference between the amendment reported by the committee and the Senate bill, which provides for \$50,000,000?

Mr. McFADDEN. This amendment provides the authority to the Secretary of the Treasury to deposit the difference between the paid-in capital of the farm-loan system, which I just stated was \$25,000,000, and \$50,000,000, on the theory, as presented to the committee by the Federal Farm Loan Board, that they require a working capital of \$50,000,000 in order to accumulate sufficient mortgages to put back of the bond issues that they are periodically selling.

Mr. DOWELL. Then do I correctly understand the gentleman that this will cut the amount from \$50,000,000, provided in the Senate bill, to approximately \$25,000,000 in the House bill?

Mr. McFADDEN. It may practically work out that way; but I will say to the gentleman that very extensive hearings were conducted by our committee, and the members of the Farm Loan Board were present, and we were informed by the farm loan commissioner and other members of the board that the

board had considered this matter and that this amendment is entirely satisfactory to them. It will permit them to function fully, to accumulate mortgages in sufficient quantities to permit them to get out their periodical bond issues in large enough amounts to supply the bond-distributing agencies with these bonds so that they can be sold to good advantage. I will say to the gentleman further that the Farm Loan Board are not asking any additional authority except this amendment.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. McFADDEN. I will.

Mr. CHINDBLOM. Am I correct, then, in concluding that the working capital of the Federal loan bank system will consist of the paid-in capital of those banks plus Federal money which may be advanced to them upon security offered by them to the Federal Treasury?

Mr. McFADDEN. Yes; under this authority they must deposit farm loan bonds or other Government securities that are acceptable to the Secretary.

Mr. CHINDBLOM. Up to the total sum of \$50,000,000.

Mr. McFADDEN. Up to the total sum advanced, or \$25,000,000, which is the amount of required working capital which the board say they must have. I will say that there is an additional safeguard in this, because the act as we have it drawn provides that each time when the Secretary deposits this money and the sale of bonds has been consummated the return of this advance shall be made to the Secretary of the Treasury, and then the Farm Loan Board, when they begin to accumulate mortgages in their attempts to satisfy the demands of the farmers, will call upon the Treasury for funds again. Then when they get out a periodical bond issue of \$40,000,000 or \$50,000,000 the money is again returned to the Public Treasury and the action is again repeated.

Mr. STRONG of Kansas. Will the gentleman yield?

Mr. McFADDEN. I will.

Mr. STRONG of Kansas. I will suggest to the gentleman that there will be a time when this amount of deposit will be unnecessary.

Mr. McFADDEN. I was just going to state that. You gentlemen will recall that the original act provides that borrowers under this system must subscribe to the capital stock of this system up to 5 per cent of the amount of their loans, so this paid-in capital of \$24,000,000 has been subscribed all but \$6,000,000 and paid in by the farmer borrowers. So automatically, as the volume of loans increases, the capital stock increases 5 per cent on the aggregate thereof, so that under the normal workings of this system during a normal period of three years the capital should automatically be increased to \$50,000,000. When that time arrives I believe that this system will be able to operate without the assistance of the Public Treasury. To my mind, this is one of the strong features in connection with the passage of this measure. I want to direct the attention of those people who do not like the idea of making appropriations from the Public Treasury to that particular clause, because it is a saving clause and provides for the operation of this system until such time as the capital is sufficient so that the system can work without aid from the Public Treasury.

Mr. CHINDBLOM. Will the gentleman yield for a question?

Mr. McFADDEN. Yes.

Mr. CHINDBLOM. Is there any other risk to the Public Treasury than the possible depreciation of the securities deposited by the farm loan bank?

Mr. McFADDEN. Nothing except the ordinary business risks. I think there are sufficient safeguards here to protect the Public Treasury, because of the fact that at all times they must hold the obligation of the Federal farm loan system, and back of that they have all of the bonds and mortgages which they have not sold, and in addition the capital stock which has already been paid in; and I believe it is sufficiently protected, so that the Public Treasury is running nothing more than the usual risk where money is deposited in banks.

Mr. CHINDBLOM. Has the Federal Treasury a prior lien upon the paid-up capital stock ahead of the stock owners?

Mr. McFADDEN. It has a prior lien ahead of the stockholders, but not against any other obligations which the farm loan system may have out.

Mr. BRIGGS. Will the gentleman yield for a question?

Mr. McFADDEN. Yes.

Mr. BRIGGS. Does the gentleman know how the Senate happened to provide \$50,000,000 in the bill that they passed?

Mr. McFADDEN. That was an arbitrary sum. In consultation with the Federal Farm Loan Board I understand they thought that was the amount they should have, and in discussion of that with Senator CURTIS, I believe, they arbitrarily arrived at that amount; but I am glad to say to the gentleman



that members of the committee have consulted with Senator CURTIS, and that this amendment is entirely agreeable to him.

Mr. BRIGGS. Was it not at the instance of the Federal Farm Loan Board that the \$50,000,000 was asked for as provided by the Senate?

Mr. McFADDEN. I can not say as to that, but it was evidently in consultation with them.

Mr. GRIFFIN. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. GRIFFIN. I direct the gentleman's attention to the first paragraph of the bill, on page 2, line 14, and following. May I ask if it was the intention of the committee to limit the deposits made by the Secretary of the Treasury up to such time as the combined capital of the Federal farm loan banks reached \$50,000,000?

Mr. McFADDEN. That was the idea; yes.

Mr. GRIFFIN. If that is the case, I would like to ask if the gentleman does not think that the words "or more," lines 15 and 16, remove that limitation and practically make the deposit sky high?

Mr. McFADDEN. No; that is not the fact. If the gentleman will read further along in the bill, he will see that the deposits are limited until the paid-in capital is \$50,000,000, and if we put that restriction at \$50,000,000 it would stop the functioning of the system when the paid-in capital reaches \$50,000,000.

Mr. GRIFFIN. I thought that was the intent. May I say that if that is the intent, to permit the deposits to be made up to the point when the capital reaches \$50,000,000, the words "or more" would practically leave the thing limitless, except so far as you may modify it further on in the bill.

Mr. McFADDEN. When the paid-in capital of the system reaches \$50,000,000, the system will be self-operating; it will not need to call on the Treasury. They have a right to go up and increase the capital all the law will permit and use the additional capital to relieve the farming interests on demand for a loan.

Mr. GRIFFIN. Does not the gentleman think that under the terms of the bill the Secretary of the Treasury might be called upon to make advances on the deposits in the Federal loan bank even when all the capital has exceeded the sum of \$50,000,000?

Mr. McFADDEN. He might be called upon by the Farm Loan Board, but there is nothing in the act that would compel him to respond.

Mr. GRIFFIN. Is not the limitation in the line I have directed attention to such as to permit him to have the authority in case he is requested?

Mr. McFADDEN. I call the gentleman's attention to line 24, where it says:

The aggregate of such additional deposits outstanding at any time shall not exceed the difference between the aggregate paid-in capital stock of the 12 Federal land banks on the last day of the preceding month and the sum of \$50,000,000.

Mr. BRIGGS. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. BRIGGS. Can the gentleman state the amount of loans that have been applied for to date and not acted upon from lack of capital?

Mr. McFADDEN. We tried to get that information from the Federal Farm Loan Board. It has been variously estimated at between \$75,000,000 and \$300,000,000. I believe if all of the applications on file were systematically reported we would find that there were \$300,000,000 of applications for loans in farming communities on hand at this time. I would say for the information of the House that the report of March 31, 1921, shows up to date farm loan bonds outstanding amounting to \$332,000,000 and net mortgage loans amounting to \$348,000,000.

Mr. HOCH. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. HOCH. I note that it provides in line 22, "within 15 days after the conclusion of each general offering of farm loan bonds by such bank or banks." I take it that that only means after the conclusion of the sale.

Mr. McFADDEN. That means at the conclusion of the sale of the bonds.

Mr. HOCH. If it means only the sale of the bonds, 15 days would be a long enough time, but if any other interpretation is placed on it 15 days would not be a sufficient length of time.

Mr. McFADDEN. The committee gave careful consideration to that and they feel that it clearly expresses the intent.

Mr. HOCH. But it says "after the conclusion of each general offering."

Mr. McFADDEN. When the money is finally paid in from the syndicate that buys the bonds that compels the system within 15 days to pay on all advances they have made up to that point.

Mr. WILLIAMSON. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. WILLIAMSON. I am wondering how this will operate as between banks. The bank at Minneapolis, for illustration, has a larger demand for farm loans than some banks in other areas, and I would like to know if this system will automatically adjust itself so that help can be extended to banks where there is the greatest demand.

Mr. McFADDEN. That is a matter of administrative operation. When questioned in regard to the distribution of funds the members of the board asserted that there would be an equitable distribution of the funds throughout the entire country, giving due consideration to those sections where the need was the most acute.

Mr. WILLIAMSON. The intention on the part of the board, then, is to try to take care of the localities where the demand is the greatest and the need is the most acute?

Mr. McFADDEN. Yes; but that is an administrative matter pure and simple.

Mr. STEAGALL. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. STEAGALL. I want to say to the gentleman from South Dakota, further answering his question, that his suggestion occurred to me for the reason that I represent a constituency where the need for farm loans is accentuated at this time. If we undertake to fix by law the distribution of the funds among various loan banks, it would, in all probability, result in the declaration of law to require the funds to be prorated among the different banks. That might result in some banks getting their share of the funds where they least need it, so that by leaving the matter of distribution in the hands of the board it will at least give the board a chance to give preference, if it is practical to do so, to the sections most in need of accommodation.

Mr. WILLIAMSON. I think the gentleman is right, and if that is the policy of the board I think that will accomplish the greatest good.

Mr. McDUFFIE. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. McDUFFIE. Recently I have heard some complaints or dissatisfaction in certain parts of the country due to the fact that they were unable to secure application blanks. Can the gentleman explain why the board is not now issuing application blanks?

Mr. McFADDEN. I could not explain that. That is an administrative matter, but it might grow out of the fact that during the past year the system has not been able to function or sell any of its securities, and it might be that they wanted to hold back applications on that account until they got the proceeds from the last sale of their bonds, which proceeds are now in. I can see no reason why, in view of that, they should not furnish any and all with application blanks.

Mr. McDUFFIE. I heard the gentleman say that he thought probably there would be \$300,000,000 in application; provided the bank could function. If it be a fact that some people are unable to secure applications, there might be a great deal more. Does the gentleman know whether the bonds have been sold?

Mr. McFADDEN. The report yesterday morning was to the effect that all of the last issue of \$40,000,000 of bonds has been sold except about \$400,000. I understand it is the disposition of the board, as soon as they can make arrangements and the market is stable, to get out an additional issue of bonds this fall.

Mr. GENSMAN. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. GENSMAN. I have had considerable inquiry from my part of the country with regard to the question of whether or not there would be any change in the law with respect to the association to be formed before loans can be obtained. Has the gentleman's committee had under consideration any revision or amendment to the law pertaining to the forming of the association necessary before loans can be obtained?

Mr. McFADDEN. Mr. Chairman, in answer to that I would say that there is not immediately before the committee for consideration any measure looking to that end. However, there is a widespread agitation looking to the simplification of the filing of applications, and many banks feel that they are being discriminated against because they can not themselves receive applications and close the papers incident to the granting of the loans. They feel in some sections that because a certain bank is designated to act for this system it draws business from other institutions. They are claiming the right, and that is particularly true in the State of Minnesota, of having power to close loans with their own customers and then turn the appli-

cations and all papers over to the local Federal farm loan bank for the district. The committee, however, as yet has not taken up the consideration of any measure looking to that end. There is quite a discussion going on throughout the country on that particular subject.

Mr. Chairman, I yield 30 minutes to the gentleman from Wisconsin, Mr. A. P. NELSON.

Mr. McLAUGHLIN of Michigan. Mr. Chairman, will the gentleman yield to me for a moment?

Mr. McFADDEN. Yes.

Mr. McLAUGHLIN of Michigan. I am wondering if the language of the bill fully or accurately expresses the purpose of the committee; and I am now speaking of the amendment that the gentleman's committee has offered. It seems to be the purpose and intention to make available for the use of these banks at least \$50,000,000.

Mr. McFADDEN. That is the purpose.

Mr. McLAUGHLIN of Michigan. By adding to their capital such deposits as the Secretary of the Treasury can make; but the bill says:

Until such time as the aggregate paid-in capital stock of the 12 Federal land banks shall be \$50,000,000, or more.

That is, until they are \$50,000,000, or \$60,000,000, or \$70,000,000, or \$100,000,000 the Secretary shall make deposits.

Mr. McFADDEN. No; the Secretary makes deposits up until the time that their capital stock reaches \$50,000,000.

Mr. McLAUGHLIN of Michigan. Or more.

Mr. McFADDEN. And not beyond that point. I explained that a few moments ago.

Mr. McLAUGHLIN of Michigan. I do not see the meaning of the words "or more" there.

Mr. McFADDEN. If we took out those words at that point, it would stop the functioning of the Federal farm loan system when its capital had arrived at \$50,000,000. The system will be self-supporting when the capital reaches \$50,000,000, in the estimation of the Federal Farm Loan Board and the members of the committee.

Mr. McLAUGHLIN of Michigan. The gentleman's first answer was to the effect that the purpose of the bill is to keep the treasuries of these Federal banks up to at least \$50,000,000.

Mr. McFADDEN. Until the paid-in capital reaches \$50,000,000. Then there will be sufficient capital in the system to operate it without aid from the Public Treasury.

Mr. McLAUGHLIN of Michigan. I do not see when the Secretary of the Treasury is to stop making deposits, because this says when the capital stock is \$50,000,000 or more.

Mr. McFADDEN. I call the gentleman's attention to lines 24 and 25 on page 2:

The aggregate of such additional deposits outstanding at any time shall not exceed the difference between the aggregate paid-in capital stock of the 12 Federal land banks on the last day of the preceding month and the sum of \$50,000,000.

Mr. McLAUGHLIN of Michigan. That may correct it, but the statement seems inconsistent.

Mr. HARDY of Texas. Mr. Chairman, will the gentleman yield for one question?

Mr. McFADDEN. Yes.

Mr. HARDY of Texas. As I understand it, the cash already on hand consists of 5 per cent of the borrowed money.

Mr. McFADDEN. Plus the subscription by the Government. The gentleman will remember that when the system was organized the Government subscribed some nine millions of capital, and there was a provision in the law providing for the gradual retirement of that capital as the system was put into full operation, so that now the Government's assistance in that respect is about \$6,000,000, or, in other words, the Government is a stockholder in this system now to this extent.

Mr. HARDY of Texas. That is what I wanted to ask—where the other part of the twenty-four million and odd dollars came from.

Mr. McFADDEN. Approximately \$18,000,000 from the farmer borrowers, or 5 per cent of the total of their loans, and \$6,000,000 from the Public Treasury.

Mr. HARDY of Texas. The total loans being about \$350,000,000 up to date.

Mr. McFADDEN. Something like that.

Mr. DUNBAR. Will the gentleman yield for another question? If the capital stock of Federal farm loan bank is equal to \$50,000,000, then the amount of money that bank has to loan will amount to \$1,000,000,000 or 20 times the \$50,000,000?

Mr. McFADDEN. The gentleman is correct.

Mr. WINGO. Mr. Chairman, I yield 20 minutes to the gentleman from Georgia [Mr. BRAND].

Mr. BRAND. Mr. Chairman and gentlemen of the committee, I do not propose to discuss the details of this bill, because that

will be ably taken care of by the distinguished chairman of the committee and the able and influential-ranking minority member on the committee and other members.

The pending bill will make available for the necessities of the farmers of this country only \$25,000,000, when at present there are applications for loans pending aggregating \$140,000,000. In the light of such a makeshift as this bill, I think it not inadvisable to give a brief statement of the transactions of the Federal farm loan system since its organization. The Federal Farm Loan Board act was approved by President Wilson on July 17, 1916. At that time the Democratic Party, as everybody knows, had control of every branch of the Government. This legislation is, therefore, a Democratic measure. Whatever good it has accomplished in the past the Democratic Party is entitled to credit for. If any evil has been wrought by the enactment of the law, the Democratic Party is responsible for it. Under the operations of this legislation there were 12 districts established in the United States.

Mr. Chairman, I ask unanimous consent to extend my remarks by inserting statements showing the detailed operations of the system since its organization.

The CHAIRMAN. The gentleman asks unanimous consent to extend his remarks in the manner indicated. Is there objection? [After a pause.] The Chair hears none.

Mr. BRAND. This list embraces the information thus referred to from the organization of the system to December 31, 1920. It shows during this time there were 4,139 associations chartered, 131,395 loans made, the average amount of each loan being \$2,810, and the total amount loaned was \$369,242,464. Loans closed from the organization of the system to May 31, 1921, were 132,525, and the amount of money loaned from its organization to May 31, 1921, was \$373,258,390.

In considering these figures it must be borne in mind that the loaning of money was suspended about 14 months on account of the case which was brought against the system wherein an attack was made upon the constitutionality of the act creating the Federal Farm Loan Board.

In the third district, which embraces the States of North Carolina, South Carolina, Georgia, and Florida, less than \$20,000,000 were loaned from its organization to May 31, 1921, Georgia, my State, having borrowed only \$4,611,985. It will be seen by a study of these figures that outside of districts No. 1 and No. 2, the district in which Georgia is situated has borrowed less money than any other district in the United States.

I also desire to extend my remarks by a statement showing the allotment to the various banks of the \$40,000,000 bond issue which was placed before the investing public on April 15. This statement shows that the Columbia Bank, which is the bank having control of the States of North Carolina, South Carolina, Georgia, and Florida, was allotted \$2,400,000. With the exception of the first, second, and eleventh districts, the third district received less money than any other district in the United States. The eleventh and second districts were allotted \$2,350,000 each, while the first district was only allotted \$1,650,000.

According to the calculations furnished me by the Federal Farm Loan Board, with this small amount allotted to the third district, if equally distributed each association will receive about \$6,500 of this \$40,000,000 bond issue; and yet, in my district alone—the eighth district of Georgia, in which an association has been formed in every one of the 13 counties with one exception—the applications for loans amount to between \$600,000 and \$700,000. It will thus be seen that practically no benefit will be derived by the farmers of the third district from this bond sale. The amount allotted is utterly and hopelessly inadequate to take care of the needs of the farmers of my district, which is a severe disappointment to me.

This is more or less true of all the other districts in the United States. This is the situation which confronts the farmers of the United States at the present time.

A simple statement of these figures demonstrates beyond all question the utter inability of the money made available by this bill to supply the farmers' requirements and the absolute necessity for the speedy enactment of legislation making available more money than this bill provides for. If this Congress has any interest in the farmers of this country, and if the Federal Farm Loan Board is expected to function and do business as contemplated by the Congress which originally enacted this legislation, something more must be done than the passage of this bill. Notwithstanding the enormous amount of money which the farmers of the country are needing, all the party in power is willing to do for them is to authorize the Treasury to allow the Federal Farm Loan Board to use about \$25,000,000 to take care of applications for loans amounting to \$140,000,000.



Somebody is responsible for neglect of duty in this regard, and as the Republicans are in complete control of every branch of the Government, and have been since March 4, the Republican Party can not escape responsibility for failure to relieve the emergency and to supply ample funds to the farmers for their use. I take no particular pleasure in charging the Republican Party for this responsibility, and yet this is the logical conclusion which the facts and figures irresistibly point to and about which there can not be any debate. Many Members of this Congress, including Democrats and Republicans, and of the preceding Congress, when the Republicans had control of the House and Senate, have time and again professed great solicitude for the farmer, and yet when they are demanding loans under a law which entitles them to make application therefor amounting to \$140,000,000, provision is only made for the paltry sum of \$25,000,000. As a member of the Banking and Currency Committee, I assume it is not out of place to state that we had a most difficult time to get at the hands of the Banking and Currency Committee of the House a favorable report even for this insignificant amount. The Republican Party is responsible for this, and more particularly the Banking and Currency Committees of the Senate and House.

I have great respect for every member of the Banking and Currency Committee and for its distinguished chairman. He is a perfect gentleman. Yet, as chairman of the committee, he is "as mild mannered a man as ever cut a throat or scuttled a ship." I believe all of them have a sympathetic feeling for the farmer in his distressed condition, yet so far as relieving the farmer is concerned, with the exception of action upon this bill, they have been as silent as the Pyramids.

The reason nothing more has been accomplished, in my judgment, is due to the fact that the moneyed interest of the country, the inveterate foe and enemy of the farm-loan system, has controlled this administration, though I do not charge improperly so. The moneyed and banking interests of this country and Wall Street, backed up by the policies of the Federal Reserve Board, have virtually destroyed the farmers of the South and West. I charge them with the great slump in the price of cotton, forcing it from 45 cents to 11 cents per pound, causing a great section of this Republic to lose millions and millions of dollars, whereby they are left in an impoverished and indescribable condition. [Applause on the Democratic side.]

This administration can provide ample and sufficient money to accommodate the wants and needs of the farmers of the United States if it wishes to do so. We might as well be plain and call a spade a spade. The banking interests was the man behind the curtain which instituted the attack upon the constitutionality of this act. They wanted to destroy it; they have been opposed to it from its inception. The moneyed interests of the North and East and of the great cities of the country were opposed to this legislation when it was first inaugurated and they have been opposed to it ever since. The people of the great cities have no sympathy for this legislation. I do not believe—outside of the Republicans from the Western States—that the Republican Party is any friend to this legislation. President Harding himself was opposed to this legislation when he was a Member of the Senate. He not only made a speech but voted against the farm loan bill.

Mr. KING. Will the gentleman yield?

Mr. BRAND. I do not know that I have the time.

Mr. KING. I desire to ask if the Democratic Party and the Democratic administration have been any more favorable to this?

Mr. BRAND. Why, it is a Democratic measure. [Applause on the Democratic side.] The Democrats are the father of it. Most, if not all, the money, amounting to nearly \$400,000,000, which the farmers have gotten was due to the Democratic Party.

Bills of this character have received no sympathy at the hands of this Republican Congress or either of the Banking and Currency Committees of the House and the Senate. The opposition from the source to which I have referred has been intensified by want of friendship and sympathy for the farmer by the Federal Reserve Board, which, by the policies adopted by it last year, however honest the board may have been in promulgating them, has practically destroyed the farming interests from the Atlantic to the Pacific.

Mr. A. P. NELSON. Will the gentleman yield?

Mr. BRAND. I think I shall get to something you will agree to, Brother NELSON, in a minute. I do not mean to be discourteous, because I regard you as one of the best Republicans in this House.

There has never been a time in my day and generation when, as last year, officers of the Government, aided, innocently it may be, by strong and powerful moneyed interests of the coun-

try, have so successfully operated against the interests of the farmers of this country, and unless this Congress comes to his relief it will be the crime of the century, which ought not to go unpunished. This Congress and your party should let the moneyed and banking interests of this country know and understand that they can not further control their conduct as lawmakers, for unless something more than the enactment of the pending bill is put upon the statute books, judgment day will come to the party in power as sure as night follows the day.

The policy of do-nothing for the farmers of this country is indefensible. I admit it is a debatable question whether legislation can remedy the woes and sacrifices of a suffering people, but any legislative tyro knows that the combined efforts of the President, Secretary of the Treasury, and the Federal Reserve Board can accomplish anything humanly possible. It would be a humiliating confession to admit that they were thus impotent to relieve the people from the pall of distress which hangs over them. They should have the courage, as they have the intelligence, to do their full duty. They should be moved by the patriotic spirit of their great leader, Abraham Lincoln, of whom it has been said:

Whether in his cabin in Kentucky or Indiana, whether steering a flatboat down the Mississippi River or making rails in the forests of Illinois, whether a captain in the Black Hawk War or carrying the village post office in his hat—in whatever position he was called he met every duty well.

Personally speaking, I would like to see the Republican Party strip itself of those selfish incumbencies which have attached themselves to it like the body of death and make itself equal to the emergency which confronts the people, and by appropriate action promptly relieve the farmers of the Nation of the perilous crises which overwhelm them.

Mr. KING. Will the gentleman yield?

Mr. BRAND. I have not the time at the moment.

Mr. KING. Speaking of these appendages, is the gentleman referring to President Harding of the Federal reserve system?

Mr. BRAND. I will have something to say about his policies before I quit, though I do not mean to be personally offensive.

If they fail to do this, I hope and believe they will be punished for their dereliction at the first opportunity the people may have a chance to render their verdict. As an illustration of the statement which I have made in regard to the Banking and Currency Committees of Congress and the Federal reserve system, I cite you to the fact that during the last session Senator Hoke Smith, of Georgia, and myself on the same day introduced a bill in the respective Houses to make the paper and obligations of factors and warehousemen eligible for rediscount, the object of which was to help the farmers of the country to successfully handle and market their crops of wheat, corn, cotton, cattle, wool, and all other things produced by them. It was months and months before either of us could get a hearing before the Banking and Currency Committees, and while favorable reports were had, it was at a time—as the Republicans know—they could not be heard in the House and Senate, and for that reason they died when Congress adjourned. In addition to this, I introduced a bill at the last session of the Congress, being the first Member of the Congress who did so, to limit the maximum amount of interest charged by the Federal reserve banks to member banks to 5 per cent. Both of these bills died in the committee rooms. They died without a hearing and "without the benefit of clergy."

[Laughter.]

On the first day of this session of Congress I introduced this same interest bill, and yet up to date no hearing has been had on it. In addition to this, I introduced a bill on April 30 providing for a loan by the Federal Reserve Board to the Federal Farm Loan Board of \$50,000,000 to take care of pending applications for loans of farmers. I was the first man in either branch of Congress to introduce such a measure. This bill provided that this money should be loaned out of the \$100,000,000 earned by the Federal reserve system during the last fiscal year, much of which was earned by charging usurious rates of interest, which Lord Bacon, in his work on Civil History, pronounced to be "the bastard use of money." Later on Senator CURTIS introduced a bill in the Senate with the same purport as the pending bill. Mr. NELSON introduced the same bill in the House. It was a difficult matter for Mr. NELSON, who was a Republican, to get a hearing on his bill, and I have never been able to have a roll call on mine, much less a hearing. It is sleeping in the office of the distinguished chairman of the Banking and Currency Committee, and unless the great banking interests of the North and East and the Federal Reserve Board take their iron clutches from the throat of the Banking and Currency Committee it will be the sleep of death. Mr. UPSHAW, of Georgia, introduced a bill

providing that the Government should loan direct to the farmers \$200,000,000. This bill has never been heard of since. The last time I heard of it was the first time it was mentioned in the committee, and then it had the death rattle in its throat. Later on my good friend Judge CRISP, of Georgia, introduced a bill directing the Secretary of the Treasury to loan to the Federal Farm Loan Board the sum of \$200,000,000 to be used by this board in making loans to farmers under the Federal farm loan act.

Subsequently my personal friend, GORDON LEE, also introduced a bill directing the Treasury to loan the farmers \$200,000,000. Notwithstanding the earnest desire of my colleagues to get a hearing on these bills, if either one of them has ever had a speaking acquaintance with any member of the Committee on Banking and Currency of the House I do not know it, and the mark of death rests upon their faces. And I also introduced a bill amending the Federal reserve act by making the Secretary of Agriculture an ex officio member of the Federal Reserve Board. The purpose of this was to provide a friend in this court for the farmer. This board is now composed of two college professors, three bankers, one lawyer, and one newspaper man, and no member of it is a representative of the farmer or the agricultural interests of the country. I also introduced a bill providing for the transfer from time to time of the profits earned by the Federal reserve banks to the Federal Farm Loan Board for the purpose of using the same to take care of applications for loans on the part of farmers as they were submitted. I have never had a hearing on either one of these bills, and they lie in cold storage.

Mr. KING. Will the gentleman yield? Was not the failure of these bills, especially the House one, due to the objections and propaganda conducted by Mr. W. P. G. Harding, president of the Federal Reserve Board, of Birmingham, Ala.?

Mr. BRAND. In reply to the gentleman from Illinois, I think, to be frank about it, he is primarily the cause of the failure of obtaining favorable action upon all the bills that went to the Banking and Currency Committee which sought to amend the Federal reserve act. [Applause.] The truth is, without in any sense reflecting on him personally, he has more influence in the Committee on Banking and Currency than he ought to have. This was true even when Senator GLASS was chairman of the committee and subsequently when Mr. PLATT became chairman. It is the same way now, and every member of the committee knows it.

Mr. McKENZIE. Is he a licensed undertaker?

Mr. BRAND. I do not know, but I do know there will be many financial corpses in the South if relief does not soon come.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WINGO. I yield the gentleman 10 additional minutes.

Mr. BRAND. I cite all these instances to demonstrate the proposition which I first laid down that nothing has been done for the farmer by the Republican Party in this Congress, and likely will not be done, except the passage of the emergency tariff bill, which, in my judgment, is a fraud upon its face. It will do the western farmer no good, though it was conceived and brought forth to help if possible, but particularly to placate the Republican voters of the West who flocked to the polls under the Harding banner. But the bill is a monstrosity, as I see it, and reminds me of "a certain" animal of the South, which is "without the pride of ancestry or the hope of posterity." [Applause.]

I do not charge anybody with corruption, and yet it is my honest conviction that the banking and moneyed interests of the North and East, backed up by the policies of the Federal Reserve Board, are responsible for this neglect of duty on the part of the Republican Party. They are exemplifying and bringing forth in full fruitage the spirit which Secretary Houston, under the Wilson administration, and a member of the Federal Reserve Board exhibited to the delegation who came to Washington in the fall of 1920, when, according to press reports, Houston told this delegation in substance "to go back home and quit complaining," and Gov. Harding, speaking for the Federal Reserve Board, told them "to go home and go to work." These were the messages given to the representatives of the farmers' organization which assembled from all over the country, coming here to plead for assistance and relief for the suffering and distressed farmers at home. This is not in keeping with the injunction of the great Galilean and the immortal doctrine first put forth 20 centuries ago on the plains of Palestine:

As ye would that men do unto you, do ye also unto them likewise.

[Applause.]

It is rather more in keeping with the disposition of Monseigneur the Marquis, one of the great lords in power at the court, who held fortnightly receptions in his grand hotel in Paris, a character of Dickens, in his work *A Tale of Two Cities*, which records this incident:

"With a rattle and clatter and an inhuman abandonment of consideration not easy to be understood, the carriage dashed through the streets and swept around corners, with women screaming before it and men clutching each other and clutching children out of its way. At last, swooping at a street corner by a fountain, one of its wheels came to a sickening little jolt, and there was a loud cry from a number of voices, and the horses reared and plunged. His valet had gotten down in a hurry, and there were 20 hands at the horses' bridles.

"What has gone wrong?" said monsieur, calmly looking out.

"Pardon, Monsieur the Marquis," said a ragged and submissive man, "it is a child."

"Why does he make that abominable noise? Is it his child?"

"Killed!" shrieked the man in wild desperation, extending both arms at their length above his head and staring at him, 'Dead!'

"It is extraordinary to me," said he, "that you people can not take care of yourselves and your children. One or the other of you is forever in the way. How do I know what injury you have done to my horses?"

"After the reception was over, his lordship returned to his room. Leaving only one light burning on the large hearth, he let his thin gauze curtains fall around him and fell asleep.

"Next morning he was found dead in his bed, with a knife driven into his heart, and around its hilt was a frill of paper on which was scrawled, 'Drive him fast to his tomb.'"

Of course, I do not mean to invite such disaster to any human being or to make this reference in any sense personal to anyone. Otherwise the excerpt speaks for itself.

These replies to the people's demands were particularly a severe blow to the cotton growers of the South, who are as honest, hard-working, patriotic, and brave people as live under the heavens' blue dome. They sent their sons across the high seas, and in their hearts and with their prayers, like stoics and philosophers, followed the flag wherever it floated when the world was on fire with war. The President of the United States and the Republican Party, now in control of Congress, knew of the treatment, as alleged, the people received at the hands of these high officers, and it was my hope that they would take advantage of the situation and get away from their cold-bloodedness and merciless disposition and would do something speedily which would substantially and materially relieve those in the fields who from early dawn to late dusk follow the plow and bend over the hoe.

Speaking for the farmers of my State and district, I ask for them no sympathy, I appeal to you for no mercy, I only beseech you in authority to give them justice—justice, not wrong; bread and not a stone; a fish and not a serpent. This was denied them by Secretary Houston and by the Federal Reserve Board, and up to date it has been denied them by the Republican Party. All the farmer of this country asks, whether he is a western wheat and corn farmer or a southern cotton grower, is justice—and equal and exact justice—to one and all. Some one has said that justice has no distinctions, no grades, and no varieties, and this is true. Justice was, is now, and forever will be one and inseparable. The same law that wafts the leaf with the breeze swings the stars upon their courses and moves the universe to the music of its infinite harmony. [Applause.]

In Edward Bulwer-Lytton's book entitled "*Rienzi, the Last of the Tribunes*," and in one of Rienzi's public utterances, Lord Lytton makes him say:

Yes; the day is at hand when Rome shall rise again from her ashes; justice shall dethrone oppression; men shall walk safe in their ancient forum. We will rouse from his forgotten tomb the indomitable soul of Cato. There shall be a people once more in Rome. And I—I shall be the instrument of that triumph, the restorer of my race; mine shall be the first voice to swell the battle cry of freedom; mine the first hand to rear her banner. Yes; from the height of my own soul as from a mountain I see already rising the liberties and the grandeur of the new Rome; and on the corner stone of the mighty fabric posterity shall read my name.

As I listened to the inaugural address of President Harding, whom I take to be a well-meaning and good man, and if allowed to have his own way will make a great President, and particularly when he gave his assurances and made his promises in behalf of all the people of the country, I thought of this eloquent prophecy of Rienzi. If the President and his party will carry into execution their public expressions in behalf of all



the people, particularly the farmers of the country, this administration will ever be held in grateful remembrance.

If you Republicans fail to carry this burden and lift from the back of the farmer the load which is furrowing his brow and making him gray, a merciless retribution will be your portion and the wrath of a Nation of producers shall be your heritage.

In the meantime, and notwithstanding I have but little to base it on, it is my hope—

That the battle to the strong shall not be given  
While the Judge of right and wrong sits in heaven.

[Applause.]

The statements referred to are as follows:

Number of national farm loan associations chartered and canceled, together with the number, total amount, and average of loans made in each State from the organization of the system to Dec. 31, 1920.

District and State.	Number of associations chartered.	Number of loans made.	Total amount loaned.	Average loan made.	Loans closed Jan. 1, 1921, to May 31, 1921.		Loans closed from organization to May 31, 1921.	
					Number.	Amount.	Number.	Amount.
District No. 1:								
Maine.....	17	784	\$1,957,303	\$2,497		\$10,900	792	\$1,968,203
New Hampshire.....	7	198	427,600	2,160		2,200	197	429,800
Vermont.....	11	409	1,051,500	2,570		309	408	1,051,200
Massachusetts.....	18	744	1,937,005	2,604		40,850	743	1,977,855
Rhode Island.....	2	60	163,250	2,721			60	163,250
Connecticut.....	15	497	1,530,650	3,080		26,300	505	1,556,950
New York.....	48	1,779	5,454,540	3,065		10,200	1,773	5,444,340
New Jersey.....	17	308	1,018,200	3,397		6,250	305	1,052,450
District No. 2:								
Virginia.....	79	3,138	8,630,533	2,750		30,701	3,150	8,661,231
Maryland.....	17	294	1,051,900	3,578		5,000	295	1,055,900
Delaware.....	2	23	89,200	3,878		3,000	24	92,200
Pennsylvania.....	47	1,330	3,528,803	2,653		7,800	1,333	3,535,603
West Virginia.....	27	803	1,469,450	1,830		4,800	807	1,474,250
District No. 3:								
North Carolina.....	130	3,103	5,919,900	1,904		48,150	3,100	5,968,050
South Carolina.....	101	2,263	6,622,410	2,926		143,000	2,308	6,765,410
Georgia.....	83	1,611	4,577,885	2,842		34,100	1,621	4,611,985
Florida.....	70	1,860	3,295,970	1,772		11,000	1,865	3,306,970
District No. 4:								
Tennessee.....	115	2,840	7,637,300	2,689		53,900	2,854	7,691,200
Kentucky.....	84	1,957	5,708,400	2,948		179,400	1,991	5,947,800
Indiana.....	96	3,243	11,452,800	3,532		108,100	3,268	11,560,900
Ohio.....	44	825	2,894,700	3,509		32,200	831	2,926,900
District No. 5:								
Alabama.....	110	4,524	8,558,270	1,892		9,450	4,531	8,567,720
Louisiana.....	72	3,459	5,871,665	1,697		18,800	3,475	5,890,465
Mississippi.....	142	7,890	11,385,270	1,450		29,850	7,869	11,415,120
District No. 6:								
Illinois.....	126	2,327	9,944,505	4,274		92,200	2,347	10,036,705
Missouri.....	150	3,511	10,748,160	3,061		116,800	3,549	10,864,960
Arkansas.....	139	6,393	10,399,310	1,627		175,400	6,495	10,574,710
District No. 7:								
North Dakota.....	175	6,565	21,616,900	3,292		27,800	6,572	21,644,700
Minnesota.....	150	4,392	15,495,600	3,528		452,700	4,465	15,948,300
Wisconsin.....	88	2,316	6,087,900	2,620		103,400	2,337	6,191,300
Michigan.....	121	3,440	6,475,000	1,882		30,700	3,448	6,505,700
District No. 8:								
Iowa.....	141	3,382	24,124,350	7,133		243,900	3,419	24,368,250
Nebraska.....	134	3,324	15,147,690	4,557		109,400	3,349	15,257,090
South Dakota.....	82	1,934	8,220,750	4,251		28,800	1,939	8,249,550
Wyoming.....	24	588	1,434,500	2,440		13,700	592	1,448,200
District No. 9:								
Kansas.....	132	3,872	14,948,000	3,861		219,200	3,922	15,167,200
Oklahoma.....	122	3,157	6,979,200	2,211		46,700	3,167	7,025,900
Colorado.....	132	3,005	6,091,700	2,027		48,400	3,020	6,140,100
New Mexico.....	82	2,213	3,624,100	1,638		32,800	2,228	3,656,900
District No. 10:								
Texas.....	342	13,793	40,816,083	2,955		894,725	14,082	41,710,791
District No. 11:								
California.....	115	3,449	11,555,800	3,351		76,200	3,439	11,632,000
Utah.....	62	2,022	6,114,100	3,024		153,900	2,066	6,268,000
Nevada.....	5	62	228,200	3,681			62	228,200
Arizona.....	9	286	749,100	2,619		7,200	288	756,300
District No. 12:								
Idaho.....	75	3,460	10,962,895	3,169		95,800	3,483	11,058,695
Montana.....	133	4,610	11,331,590	2,458		32,800	4,622	11,364,390
Oregon.....	91	3,799	11,439,280	3,011		46,950	3,811	11,486,230
Washington.....	156	5,583	12,403,270	2,222		171,200	5,633	12,574,470
Total.....	4,139	131,395	369,242,461	2,810		4,015,923	132,525	373,253,393

Of this total number 173 charters have been canceled, by consolidation or otherwise, by Federal land bank districts, as follows: Springfield, 3; Baltimore, 2; Columbia, 12; Louisville, 18; New Orleans, 3; St. Louis, 23; St. Paul, 9; Omaha, 5; Wichita, 64; Houston, 18; Berkeley, 15; Spokane, 1. Therefore, on December 31, 1920, there were 3,966 national farm loan associations in actual operation.

Statement showing allotment to various banks of \$40,000,000 bond sale.

Springfield.....	\$1,650,000
Baltimore.....	2,350,000
Columbia.....	2,400,000
Louisville.....	3,300,000
New Orleans.....	3,650,000
St. Louis.....	4,150,000
St. Paul.....	4,000,000
Omaha.....	4,150,000
Wichita.....	3,300,000
Houston.....	4,700,000
Berkeley.....	2,350,000
Spokane.....	4,000,000
Total.....	40,000,000

Mr. McFADDEN. Mr. Chairman, I ask unanimous consent that all those who speak on this subject may have the right to extend their remarks.

The CHAIRMAN. The gentleman from Pennsylvania asks unanimous consent that all those who speak upon this bill may be permitted to extend their remarks. Is there objection? [After a pause.] The Chair hears none.

Mr. McFADDEN. Mr. Chairman, I yield 30 minutes to the gentleman from Wisconsin [Mr. NELSON].

Mr. A. P. NELSON. Mr. Chairman and gentlemen of the committee, I was led to introduce my bill, H. R. 6296, which was a companion bill and identical with Senate bill 1837, introduced in the Senate by Senator CURTIS, of Kansas, and passed by the Senate on June 2, 1921, because I believe that there is to-day an emergency in the agricultural regions of our country that must be relieved by legislation of this character. Senate bill 1837, as amended by the Committee on Banking and Currency of the House and by it unanimously recommended for passage, is now before us for consideration.

Mr. CRISP. Will the gentleman yield?

Mr. A. P. NELSON. Yes.

Mr. CRISP. The gentleman has given this subject great thought and has the interest of the farmers at heart. Does he understand that if this bill becomes a law the \$50,000,000 will act as a revolving fund and the banks will then have capital sufficient to meet the needs of the farmers?

Mr. A. P. NELSON. I will say to the gentleman from Georgia that it is my best judgment that it will do so. In order to make it a little clearer, will say that there is at the present time approximately \$25,000,000 of paid-in capital stock in the system. The bill provides that the Secretary of the Treasury shall be authorized to deposit in the Federal land banks \$25,000,000 in addition to the \$6,000,000 already authorized under section 32 of the Federal farm loan act, making a total possible deposit of \$31,000,000, which, added to the \$25,000,000 of capital stock, makes a total turnover fund for purchasing farm mortgages of \$56,000,000. It is my belief and the belief of the Federal Farm Loan Board that with this \$56,000,000 of available funds the banks can function efficiently and uninterruptedly.

Mr. BARKLEY. Will the gentleman yield?

Mr. A. P. NELSON. I will.

Mr. BARKLEY. The sum total of this bill amounts to only \$25,000,000. This bill does not affect the \$25,000,000 capital stock or original loans. So all this bill does is to make available \$25,000,000 in addition to what the board already has?

Mr. A. P. NELSON. Yes.

Mr. BARKLEY. I was informed at the time the Senate passed this bill that the Federal Farm Loan Board advised the Senate that they needed \$50,000,000, as provided in the Senate bill. What information has the committee to offer the House that the Farm Loan Board has revised its figures since they advised the Senate that they needed \$50,000,000?

Mr. A. P. NELSON. I will say this, that the Federal Farm Loan Board no doubt believes that inasmuch as we have been almost two months selling the bond issue of \$40,000,000, and which is not yet quite sold, it looks as if at the present time the provision for a total available fund of \$56,000,000 is quite sufficient.

Mr. BARKLEY. In view of the fact that the \$40,000,000 issue recently put on the market has not been consumed by the public, is it not the fact that that is the situation that makes this legislation necessary?

Mr. A. P. NELSON. That raises the question that the United States Treasury is not being asked here to make permanent loans to the farmers, but that we are trying to facilitate the orderly functioning of the act as originally intended, namely, that by means of deposits and by means of the capital stock we shall be able to make the banks themselves function.

Mr. BARKLEY. The difficulty that occurs to me is this: If the Farm Loan Board can not now sell its farm-loan bonds and we limit the assistance of the Treasury to \$25,000,000 and they can not sell their bonds, we are really not meeting the needs of agriculture by limiting the amount to \$25,000,000.

Mr. A. P. NELSON. The gentleman will understand that 15 days after the bond sale is closed the banks can immediately begin again to accumulate mortgages, and as soon as they have \$40,000,000 or \$50,000,000 accumulated they can then go on with another sale.

Mr. BARKLEY. You mean by the term "when they are closed" the time when they are sold?

Mr. A. P. NELSON. Yes.

Mr. BARKLEY. And if they do not, by means of the \$50,000,000 provided for under your plan, then the bond issue would not be closed at all until the money was available?

Mr. A. P. NELSON. The bond issue will be closed when the entire issue authorized and offered is sold and the money obtained on the bond sale.

Mr. LONDON. Mr. Chairman, will the gentleman yield?

Mr. A. P. NELSON. Yes.

Mr. LONDON. You mean 15 days after the sale of the bonds offered?

Mr. A. P. NELSON. After the bond sale has been closed. Fifteen days after that the deposit by the Treasury shall be returned again to the Government. The gentleman understands that this deposit must be understood to be a deposit and not a loan?

Mr. LONDON. I understand that. Does the expression "the conclusion of the offering" have a special meaning in law, or a special meaning in the world of finance?

Mr. A. P. NELSON. I take it that it is a commercial expression, and means that 15 days after the bond sale is closed the money must be redeposited with the Treasury of the United States.

Mr. JONES of Texas. Mr. Chairman, will the gentleman yield?

Mr. A. P. NELSON. Yes.

Mr. JONES of Texas. Does the gentleman think it would be preferable, instead of saying that "the Secretary of the

Treasury may, in his discretion," make the deposit, to say, "the Secretary shall deposit," making it mandatory?

Mr. A. P. NELSON. We have simply followed the language of the original act in that respect; the original act proposing a deposit of \$6,000,000 contains this language.

Mr. JONES of Texas. If the Secretary of the Treasury did not approve of this course, there would be no relief in the bill?

Mr. A. P. NELSON. Yes; but I do not think that the Secretary of the Treasury would even take such an arbitrary stand. I think that part of this \$6,000,000 that was provided for under the original act has been deposited several times with the Federal land banks.

Mr. RAMSEYER. Mr. Chairman, will the gentleman yield?

Mr. A. P. NELSON. Yes.

Mr. RAMSEYER. As to the last sentence in the bill—

The aggregate of such additional deposits outstanding at any time shall not exceed the difference between the aggregate paid-in capital stock of the 12 Federal land banks on the last day of the preceding month, and the sum of \$50,000,000. The certificates of indebtedness issued to the Secretary of the Treasury by the Federal land bank for such additional deposits shall bear a rate of interest not exceeding by more than one-half of 1 per cent per annum the rate borne by the last bond issue of the land bank receiving such deposits.

Do I understand that the land banks will have to pay the Treasury more interest than the land banks are getting on their bonds?

Mr. A. P. NELSON. Yes.

Mr. RAMSEYER. Why?

Mr. A. P. NELSON. The idea is that there shall be no open door for inflation in this matter, and that the Federal land banks shall only use this deposit while they are in the process of accumulating their mortgages and preparing for the sale of their bonds. In other words, we believe, and the Federal Land Bank Board believes, that we should not encourage any proposition of simply depositing the money indefinitely in the Federal land banks.

Mr. RAMSEYER. You can not get any more money from the Treasury than the difference between the capital stock and \$50,000,000?

Mr. A. P. NELSON. That is all, plus the original \$6,000,000.

Mr. RAMSEYER. Then I do not see how your reasoning applies.

Mr. A. P. NELSON. There would be no object on the part of the Federal land banks to use this deposit except during the time absolutely necessary to purchase mortgages previous to a bond sale, and as soon as the bond sale is closed the money will be turned back to the Treasury.

This bill proposes to amend the first paragraph of section 32 of the act of Congress approved July 17, 1916, known as the Federal farm loan act. Section 32 authorizes the Secretary of the Treasury, in his discretion, upon the request of the Federal Farm Loan Board, to deposit for the temporary use of any Federal land bank out of any money in the Treasury not otherwise appropriated, and requires that the Federal land bank in which such deposit is made shall issue to the Secretary of the Treasury a certificate of indebtedness for the deposit to be secured by farm loan bonds or other collateral satisfactory to the Secretary. The rate of interest on such certificates of indebtedness, under the act, shall not exceed the current rate charged for other Government deposits, and the aggregate of all sums deposited with the Federal land banks at any one time shall not exceed the sum of \$6,000,000.

The amendment of the bill before us proposes to modify this paragraph in three respects:

First. Provision is made for deposits in addition to the \$6,000,000 authorized in the original section in such sums as the Secretary of the Treasury may in his discretion deem proper, not exceeding the difference between the capital of the banks and \$50,000,000 up to such time as the paid-in capital of the banks shall have been increased to \$50,000,000; the result being to make available for the normal operations of the banks, including their capital, a sum equal to \$50,000,000 and terminating the provision when their capital reaches that sum, leaving unaffected and continuing the repository privilege of \$6,000,000 carried in the original act.

Second. The certificates of indebtedness for any additional deposits authorized under this act shall bear a rate of interest not exceeding by more than one-half of 1 per cent per annum the rate borne by the land bond issue of the bank receiving such deposit. The last issue of bonds by all of the banks bore interest at the rate of 5 per cent per annum, so that an additional deposit under the provisions of this act made at this time would bear  $5\frac{1}{2}$  per cent.



Third, it is made mandatory upon the Secretary of the Treasury to call any additional deposits which may be made pursuant to this provision within 15 days after the conclusion of each general offering of farm loan bonds by any bank or banks having any such additional deposit.

It will thus be seen that the plan of this measure is that this extra deposit privilege will be continually reduced in proportion to the constantly increasing capital of the banks, which increases steadily at the rate of 5 per cent of every loan made, and that the privilege will automatically terminate when the banks have thus increased their capital to \$50,000,000, and it will be further noted that as to the additional deposits authorized by this bill it is made the duty of the Secretary of the Treasury to recall any such deposits which he may have made, at the conclusion of any general bond offering by the bank holding such deposit, so that the extra deposits hereby authorized can only be made use of between bond sales and for the purpose of accumulating farm loan bonds in sufficient volume to make a general offering.

The present capital being approximately \$25,000,000, this amendment makes possible, by the deposit of the Secretary of the Treasury in the Federal land banks, a total available capital of \$56,000,000, being the \$6,000,000 already provided for by the original section 32 of the Federal farm loan act, the present capital of \$25,000,000, and the additional deposit by the Secretary of the Treasury of the difference between \$50,000,000 and the present capital stock, or \$25,000,000.

The necessity for the enlargement of this depository privilege, in order that the Federal land banks may continuously and uninterruptedly function, arises from a fundamental defect in the original act itself in the lack of sufficient capital for adequate turnover. The banks in normal operation will purchase mortgages daily to the extent of about \$500,000, which will mean, in turn, an equal capacity for the issuance of bonds.

The experience of the system has clearly demonstrated that it is not practical to market bonds continuously and in small volume as this immediately tends to break down the market value of the bonds, but to market these bonds effectively it is necessary to accumulate a volume sufficient to make a general public offering. These offerings, experience has proven, should be in amounts from \$40,000,000 to \$50,000,000, depending upon the condition of the market. The provisions of this bill, as now amended, will make it possible for the Federal land banks to make offerings of this size.

It is my firm conviction that this bill should be passed by this House to-day. Its approval and passage by the Senate indicates clearly that that body believed that it was for the interest of the farmer, and, indirectly, of the general public that this bill should become law. I desire to call your attention to the fact that this bill has the approval and support of the Secretary of the Treasury, Hon. A. W. Mellon, and the unqualified support and approval of the Federal Farm Loan Board, farm organizations, business interests in the agricultural regions, and the country banks in our agricultural sections. President Harding, in his speech in New York on May 23, 1921, as reported by the New York Herald, stated:

We will do well to keep in mind the fundamental importance of agriculture, and in every possible way insure justice to it; to place our agricultural industry on a sound basis and provide machinery and facilities for financing and distributing crops.

The Washington Post, under date of June 1, 1921, reports that trade is reviving, but states that—

The industrial improvement has progressed much faster than the agricultural improvement and for this reason much attention must be given to relief for agricultural producers.

Mr. Otto H. Kahn, one of the eminent New York bankers and financial writers, in an address delivered before the Traffic Club, of Pittsburgh, Pa., April 28, 1921, refers to the farm problem in words that I think bear directly on the bill before us to-day, when he says:

Adversity and hardship have come upon the farmer, as they have come or can not fail to come in a greater or lesser degree upon every element in the community in the painful economic process through which the country is passing. But that wave of trouble struck first of all the farmer; perhaps, also, it struck him hardest, and under existing conditions he is least able to protect himself and "get from under."

From this and other causes the farmer is greatly discontented and under a sense of grievance with the existing order of things. His is a tollsome and none too well requited calling at best, involving inevitable hardships and deprivations. The vital necessity of the farming industry needs no emphasis. The immense social value of the farming class to the State is beyond argument. If there is one calling which has a higher claim than another upon the helpful consideration of the State among those which make up the sum total of the Nation's activities, it is that of the farmer. His just grievances call for immediate,

intelligent consideration and for effective redress. If that redress can only be made effectively by methods which are new and somewhat unpalatable to the established ways of business, then the less important will have to yield to the more important; that is, business convenience and customs to the true welfare of the farming industry.

I am perfectly aware that a great many believe that our policy should be to keep the Government out of private business as far as possible, in which I heartily concur, and yet it is very evident that the Government must in some cases, as it did during the war and as it must in this present awful aftermath of that war, aid in critical instances where a basic industry is threatened with dire ruin, and, as has been suggested by the President, we must do our best to aid agriculture and put it on a sound basis.

I also believe that we are all agreed that, so far as our financial, industrial, and agricultural conditions are concerned, we are at the present time in the most crucial period of our Nation's history, and because of the tremendous expansion, both by the Government and by private and corporate interests during the war, we are now faced with a condition where it is absolutely necessary for us to conserve and cooperate in every way possible in all our basic industries in order that we shall be able to carry out a program of proper production and proper distribution of our products of the farm, mill, and factory.

It does seem to me that when the President of the United States; the Secretary of the Treasury, who is the highest financial authority in the Government; the Farm Loan Board, which is charged with the administration of the Federal farm loan act, farm organizations; business interests; and bankers and financial writers all combine in pleading and appealing for the relief and welfare of our farming industry, Congress can not afford to ignore the apparent distressed condition in one of the basic industries of our country. This bill should be passed and thus place the machinery of the farm loan system in a position to function in the most efficient manner possible.

Mr. WARD of North Carolina. Will the gentleman permit an interruption?

Mr. A. P. NELSON. Yes.

Mr. WARD of North Carolina. Am I correct in my analysis of the bill that the aggregate stock of the farm loan banks is approximately \$25,000,000?

Mr. A. P. NELSON. The gentleman is correct.

Mr. WARD of North Carolina. And am I correct that the language—

The aggregate of such additional deposits outstanding at any time shall not exceed the difference between the aggregate paid-in capital stock of the 12 Federal land banks on the last day of the preceding month and the sum of \$50,000,000—

means that the maximum amount that can be secured from the Treasury will be approximately \$25,000,000?

Mr. A. P. NELSON. Plus the \$6,000,000 of the original act which is not interfered with, or a total of \$31,000,000.

Mr. WARD of North Carolina. Am I further correct in my understanding that the bill as it comes from the Senate fairly and squarely permits that to be doubled?

Mr. A. P. NELSON. No. The bill as it came from the Senate would mean a total deposit of \$50,000,000, whereas the amended bill under discussion would mean a total deposit of \$31,000,000, or a difference of \$19,000,000. That is, the total available fund under this bill is \$19,000,000 less than the total available fund under the Senate bill.

Mr. WARD of North Carolina. Am I correct in saying that as it came from the Senate it permitted assistance to the extent of \$50,000,000?

Mr. A. P. NELSON. Yes.

Mr. WARD of North Carolina. Then I am correct in saying that as this works out the assistance derived from the Government is reduced about one-half.

Mr. A. P. NELSON. No; only \$19,000,000, as the Senate bill only provides for a total deposit of \$50,000,000 and the bill under consideration provides a total deposit of \$31,000,000 by the Treasury.

Mr. STRONG of Kansas. If the gentleman will yield, it allows all that is asked for by the Federal Loan Board. Why deposit \$50,000,000 if \$25,000,000 will permit the board to function?

Mr. WARD of North Carolina. With the permission of the gentleman from Kansas, I will say that up to this time I am simply asking for information, and with all due respect to what the gentleman says the Farm Loan Board needs, that may be correct, but I have heard to the contrary.

AGRICULTURE, OUR GREATEST BASIC INDUSTRY, IN DISTRESS.

Mr. A. P. NELSON. I think we all agree that agriculture is the greatest basic industry of our Nation, and it is the foundation upon which all other industries is built. There can be no success in the manufacturing East unless there is prosperity in the agricultural West, Middle West, and South. So closely related and correlated are the conditions of our country that our entire superstructure becomes paralyzed when agriculture, the base of our industrial and commercial system, becomes discouraged and unable to function. It is my appeal, therefore, that this House pass Senate bill 1837, companion bill of my bill H. R. 6296, as amended, in order to enable the farmers to function in their respective communities. From reports in the hearings before the Senate and House Banking and Currency Committees, it is very evident that the financial stress of the farmers is such that it is absolutely necessary for both the Federal land banks and the joint-stock land banks to assist these communities with long-time credits through the legislation proposed in this bill and the Clague bill, H. R. 6035.

The agricultural interests of the Nation are looking to Congress for this assistance in this crucial hour. The Senate committee hearings of May 9 and 10, 1921, disclose the following interesting facts: The total loans of all national banks in the United States are about \$14,000,000,000, and that less than \$2,000,000,000 is loaned to the farmers, 21 per cent to manufacturing enterprises, and 36 per cent to merchandising business. Yet agriculture furnishes more primary deposits than both manufacturing and merchandising enterprises combined. Based upon the rules of credit, therefore, agriculture should be entitled to 57 per cent of the \$14,000,000,000, or \$7,980,000,000, in place of \$2,000,000,000, which is now the amount loaned to the farmers by the national banks.

The amendment of the farm-loan act as proposed will bring a measure of tangible and direct relief to the direful condition in which the agriculture of the country finds itself. It would seem needless to point out that the situation with respect to agriculture is worse at this moment than at any previous time within the memory of the oldest. The processes of deflation struck agriculture first, and agricultural values were the first to shrink to the prewar level. The country banks have loaned themselves up to the limit in an effort to tide the farmer through the period of distress; their liquid paper is exhausted; they are helpless to furnish further relief and are as vitally interested in the farmer being able to come into possession of our sources of credit as is the farmer himself. Every relief offered the farmer in the way of a farm loan results in releasing for ordinary and normal banking usage funds of the bank now tied up in loans which the farmer can liquidate in no other way, thus conferring a very direct benefit upon commerce and industry in addition to the service directly rendered the farmer.

In view of the very distressed condition of agriculture, with foreclosures threatened in every section of the country, with loan agencies reaping a harvest in maximum interest rates and exorbitant commissions, in view of the large number of country banks facing dissolution unless there can be some outlet for their present long-time credits for the farmers, and in view of the necessity of making the farmers the purchasers of our manufactured products so as to keep the wheels of industry and commerce going for the benefit of the laborers in the industrial centers, it would seem to me to be the part of wisdom to pass this bill and correct a fundamental defect in the organic act of this system in not providing sufficient capital in the beginning for its proper functioning, and thus meet the emergency which to-day exists in one of the basic industries of our Nation. The important thing under the financial pressure which now exists is to enable the farm-loan system in its dual provisions to work to its maximum capacity.

The farmer has only one turnover a year. Forced liquidation under too strong pressure means his undoing and ruin. He must have time. Long-time credits must be made available. Banks in agricultural sections must be helped to carry the farmers until farm products can be raised and sold to liquidate present debts caused by the sudden and terrific readjustment and lowering of values of all farm products. Deflation in farm products has been ruinous. In a year's time corn has been reduced in price from \$1.80 a bushel to 30 cents a bushel; hogs from 18 cents per pound to 6 cents per pound; eggs from 60 and 70 cents a dozen to 15 and 20 cents per dozen; butter from 65 cents per pound to 25 cents per pound; while machinery and manufactured articles that the farmer has to buy are still largely at war-time prices. With the denial of long-time credits, the farmer faces, in many sections of the cotton and grain belts, utter ruin.

The farmers have been urging and pleading for an adjustment of our freight rates, and we are happy to know that our great President, who has the interest of agriculture at heart, in the truest and noblest sense, is using the influence of his great office in trying to find a proper adjustment of our freight rates. We trust that his efforts will be crowned with success in this regard and that Congress will rise to the occasion and assist our President in every possible way.

Indeed, the farmer has faced a depreciation in his products that means his bankruptcy. Farm products and stock shipped to the markets from many agricultural States have not brought a price sufficient to pay the cost of transportation. Listen to these figures from Kansas received through the courtesy of my esteemed colleague, Mr. HOCH, of Kansas:

On a recent shipment of alfalfa from a Kansas farm to Kansas City the shipper received \$10.50 a ton on the Kansas City market. The hay graded No. 1. The shipper paid \$6.50 a ton freight, \$1 a ton to the commission house, and had paid \$3 a ton for baling, making a total of \$10.50 a ton, with nothing left for producing or cutting or as return on investment. The result of this prohibitive freight rate is that thousands of tons of hay are being left to rot because it will not pay to ship, and great acreages of hay were not even cut.

The county agent of Greenwood County, Kans., reports that on a recent shipment of lumber to that county the freight was more than the value of the material.

A Coffey County, Kans., hay shipper says that hay which cost him \$6.70 a ton put in the barn brings \$4 a ton after freight and commissions are paid.

James R. Plumb, a prominent farmer and stockman of Lyon County sends me a memorandum showing freight paid on cattle shipments to Kansas City, a little over 100 miles. On 40-foot car the freight in 1916 was \$26.40, in 1920 it was \$35.61, and in 1921, \$48.20. On hog shipments to same place, 36-foot car, the freight for same dates were \$23.80, \$30.64, and \$41.15, almost double from 1916 to 1921.

In a letter to Congressman CARL W. RIDDICK, Mr. Roy J. Covert, president of the Merchants' National Bank, of Billings, Mont., says:

This year, speaking for our own sheep, I expect we will sell our wool for about 20 cents a pound and our lambs for about 6 cents a pound, may be 5 cents, and we will again meet with a loss, but I do not think we will about strike bottom this year. If there are any sheepmen left in the business, they will then begin to operate probably on a working basis, but in order to reach this basis, farm lands, overhead expenses, and foundation stock valuations will have been reduced so drastically that it will take these stockmen a generation to recover the loss.

SECRETARY MELLON'S APPROVAL.

Secretary Mellon, in appearing before the Committee on Banking and Currency of the House, discussed this measure, and from his testimony I wish to quote as follows:

It is not appropriating money to be loaned to the farmers or to be used in any way excepting to facilitate the functioning of the banks to enable them to accumulate and dispose of their bonds, and the present exigency makes it desirable to keep these banks in shape to have funds on hand to make loans so that on account of the present situation it would seem to me to be a desirable measure.

In response to Representative DUNBAR's question, "You have expressed yourself as favorable to this measure," Secretary Mellon answered, "Yes," and to the second question, "And you think it ought to pass Congress," Secretary Mellon answered, "I think so."

A DEPOSIT AND NOT AN INVESTMENT.

That the privilege of deposit provided by this bill is not and can not be regarded as a charge upon the Treasury or as a disbursement item chargeable to the expense of the Government, and that it is only a deposit and does not involve an appropriation, is conclusively pointed out by Secretary Mellon in the following excerpt from his testimony:

Mr. DUNBAR. Now, then, if this \$50,000,000 is deposited in these farm loan banks, will that appear as a disbursement item chargeable to the expense of the Government the same as the purchase of farm loan bank bonds have appeared?

Secretary MELLON. No; it would be merely in the nature of a deposit.

Mr. DUNBAR. Merely in the nature of a deposit, and not in the nature of a disbursement?

Secretary MELLON. Yes.

It is also to be noted in this connection that the present amount of \$6,000,000 permitted to be deposited in the Federal land banks under section 32 of the Federal farm loan act has been deposited in these banks several times, and has been returned by the banks to the Treasury without any provision of appropriation, but merely, as indicated and stated so positively by the Secretary of the Treasury, as a deposit. I want to emphasize this because there seems to be an erroneous conception in the minds of many that this is an appropriation—an expenditure. We must not be confused, but have clearly in mind that this is not an appropriation nor an expenditure, but is merely in the form of a deposit in the Federal land banks, to be used by them in accumulating their mortgages to the amount of the deposit, and when the bonds for these mortgages are sold the money is again returned to the Treasury. It is in the same nature as the deposits now made by the Treasury in Federal reserve banks and



other national banks, upon which the Government receives interest at the rate of 2 per cent per annum.

#### NOT A TAX BURDEN.

I want to call your attention to the fact, which has been so clearly stated by the Secretary of the Treasury, that this measure provides for a deposit, and not a disbursement or an expenditure, and does not, therefore, involve an appropriation. Inasmuch as the return obtained by the Treasury is  $3\frac{1}{2}$  per cent more than received on ordinary Treasury deposits, it is clearly to be seen that it is a profit rather than an expense to the Government, and can not be regarded in any way as a tax burden on the people of the United States.

The measure guards against any abuse of the depository privilege in that it makes the Federal land banks pay a penalty of one-half of 1 per cent to the Treasury of the United States by requiring the banks to pay for the deposits from the Treasury one-half of 1 per cent per annum more than they pay upon their outstanding bonds.

#### NOT A PERMANENT NECESSITY.

From the hearings before the Committee on Banking and Currency of the House, it was very apparent that the normal increase of the capital stock of the banks attendant upon their continued loaning operations would eventually provide them with sufficient capital to entirely do away with the occasion for the Treasury deposits. This possibility comes from the fact that with every loan made there is a subscription to the capital stock of the land bank equal to 5 per cent of the amount of the loan, thus an annual business of \$200,000,000 in loans would result in an increase of the capital in the sum of \$10,000,000.

Commissioner Lobdell states that if the banks at present had a capital of \$50,000,000 there would be no occasion to make use of this deposit privilege. It will thus be seen that if the banks should transact a business of \$200,000,000 a year for three years, the capital thus accumulated on new business added to their present capital of \$24,500,000 would provide them with sufficient funds of their own for an orderly turnover on business, and there would be no further occasion to make use of this depository privilege.

Indeed, I want to emphasize at this point the statement made by Commissioner Lobdell that this must be the maximum relief offered to the banks, and that not a dollar more must be asked by them, and I wish to say right here that if the Farm Loan Board can not function with this aid, then I think it is just as well that the farm loan banks admit that they are a failure and be immediately liquidated. But it is the belief of the Secretary of the Treasury and of the Farm Loan Board and of all experts in the Federal land banks that this amendment to the act will enable the banks to function and to render the relief necessary and make the banks a success. Fifty to seventy-five millions of dollars of capital stock is sufficient and will provide the elasticity necessary to make continuous loaning possible.

I want to impress upon you the fact that the deposit made by the Treasury in the several land banks is secured by farm loan bonds or other security acceptable to the Secretary of the Treasury, so that the deposit itself is absolutely secured to the Government.

#### ORIGIN AND DEVELOPMENT OF THE FEDERAL FARM LOAN SYSTEM.

Before the establishment of the Federal farm loan system a so-called long-time farm mortgage loan based on the land and its improvements was usually a straight mortgage made for three or five years, the mortgage becoming due in a lump sum at the end of the period. By the payment of high commissions and other charges, which varied in different parts of the country, the mortgages could be renewed for another period of three to five years. It is thus seen that the farmer, unless he could save enough money to reduce and finally pay off his debt, became more or less involved in financial bondage to his own detriment, and as a consequence agriculture waned to such an extent in some parts of the country that it became a matter of national importance which led to agitation and Government investigation.

As far back as the Roosevelt administration a commission was appointed to investigate and report on country-life conditions, and again in Taft's administration our ambassadors in the various countries were authorized to report on rural credits and agricultural cooperation in the respective countries to which they were assigned. These investigations and reports laid the foundation for the present Federal farm loan system, which makes farm-mortgage loans on long-time amortization plan of repayment and at a comparative low rate of interest. Prior to the establishment of the farm loan system the Farm Loan Board found that some farmers were paying as high as 15 per cent interest a year, besides commissions and other charges on loans

running up longer than five years. The farm loan system has reduced the average rate of interest to the farmer and has established a normal and equitable rate of interest throughout the entire Nation, the maximum rate being 6 per cent, without any commissions being charged.

The primary object of the law was to provide capital for agricultural development and money to be loaned to farmers for productive purposes at reasonable rates of interest. Only first-mortgage loans can be made on farms or farm lands, and two kinds of land banks were authorized to make these loans, one known as the Federal land banks, which make loans through agents or through national farm loan associations and cooperative organizations, and the other known as the joint-stock land banks, which are operated by private capital but subject to the maximum rate of interest, 6 per cent, on their loans and to restrictions in their operations, provided by the Federal Farm Loan Board.

Twelve Federal land banks were organized largely by Government capital, the amount subscribed by the Government being \$8,891,270, out of a minimum of \$9,000,000 authorized. The balance of the capital was subscribed by private individuals. This capital, however, is to be repaid, and part of it had been paid back on March 31, 1921. The capital stock of the Federal land banks owned by the Government had been reduced to \$6,700,675, showing that \$2,190,595 had been repaid by the Federal land banks to the Government. On March 31, 1921, the capital of these banks was made up as follows:

United States Government	\$6,700,675
National farm loan associations	17,670,217
Borrowers through agents	79,480
Individual subscribers	10,380
Total	24,460,752

National farm loan associations may be organized in any locality with not less than 10 members, whose subscriptions for loans can not be less than \$20,000. Loans now made at 6 per cent range from \$100 to \$10,000 and are on the amortization plan of repayment. The associations are chartered by the Federal Farm Loan Board. Originally loans were made at 5 per cent interest. In about nine months after the first loan was made the interest rate was advanced to  $5\frac{1}{2}$  per cent. At the present time the rate is 6 per cent, as a result of the financial conditions prevailing throughout the country.

I wish to call the especial attention of Congress to the fact that while the Federal farm loan system was operating and making loans to the farmers private and corporate lenders of money were supplying money to the farmers at the same rate of interest. But, during the cessation of the loaning operations by the Federal farm loan system, because of the testing of the constitutionality of the law under the tax-exempt feature, we find that the farmers were immediately compelled to pay excessive rates of interest, running as high as 8 per cent in the very best agricultural districts of the country and exorbitant commissions besides.

The rapid growth of this cooperative plan of farm-mortgage credit may be clearly realized by studying the following table, which gives by States the number of associations chartered, the number of loans granted, the total amount of the loans, and the average loan made in each State as of December 31, 1920:

Number of national farm loan associations chartered and canceled, together with the number, total amount, and average of loans made in each State from the organization of the system to Dec. 31, 1920.

District and State.	Number of associations chartered.	Number of loans made.	Total amount loaned.	Average loan made.
District No. 1:				
Maine	17	784	\$1,957,300	\$2,497
New Hampshire	7	198	427,009	2,163
Vermont	11	409	1,051,500	2,579
Massachusetts	18	744	1,937,005	2,604
Rhode Island	2	60	163,250	2,721
Connecticut	15	497	1,580,650	3,089
New York	48	1,779	5,454,540	3,066
New Jersey	17	308	1,046,200	3,397
District No. 2:				
Virginia	79	3,138	8,630,533	2,751
Maryland	17	294	1,051,900	3,573
Delaware	2	23	89,200	3,878
Pennsylvania	47	1,530	3,528,800	2,653
West Virginia	27	803	1,469,459	1,890
District No. 3:				
North Carolina	130	3,109	5,919,900	1,904
South Carolina	101	2,263	6,622,410	2,923
Georgia	83	1,611	4,577,885	2,842
Florida	70	1,860	3,295,970	1,772
District No. 4:				
Tennessee	115	2,840	7,637,300	2,689
Kentucky	84	1,957	5,768,400	2,948
Indiana	85	3,243	11,432,800	3,582
Ohio	44	825	2,894,700	3,599

Number of national farm loan associations chartered and canceled, together with the number, total amount, and average of loans made in each State from the organization of the system to Dec. 31, 1920—Contd.

District and State.	Number of associations chartered.	Number of loans made.	Total amount loaned.	Average loan made.
District No. 5:				
Alabama.....	110	4,524	\$8,558,270	\$1,892
Louisiana.....	72	3,459	5,871,665	1,697
Mississippi.....	142	7,850	11,385,270	1,450
District No. 6:				
Illinois.....	126	2,327	9,944,505	4,274
Missouri.....	150	3,511	10,746,160	3,061
Arkansas.....	139	6,393	10,399,310	1,627
District No. 7:				
North Dakota.....	175	6,566	21,616,900	3,292
Minnesota.....	150	4,392	15,495,600	3,528
Wisconsin.....	88	2,316	6,067,900	2,620
Michigan.....	121	3,440	6,475,000	1,882
District No. 8:				
Iowa.....	141	3,382	24,124,350	7,133
Nebraska.....	134	3,324	15,147,690	4,557
South Dakota.....	82	1,934	8,220,750	4,251
Wyoming.....	24	588	1,434,500	2,440
District No. 9:				
Kansas.....	132	3,872	14,948,000	3,861
Oklahoma.....	122	3,157	6,979,200	2,211
Colorado.....	132	3,005	6,091,700	2,027
New Mexico.....	82	2,213	3,624,100	1,638
District No. 10:				
Texas.....	342	13,796	40,816,066	2,958
District No. 11:				
California.....	115	3,449	11,556,800	3,351
Utah.....	62	2,022	6,114,100	3,024
Nevada.....	5	62	228,200	3,681
Arizona.....	9	286	749,100	2,619
District No. 12:				
Idaho.....	75	3,460	10,962,895	3,169
Montana.....	133	4,610	11,331,590	2,458
Oregon.....	91	3,799	11,439,280	3,011
Washington.....	156	5,583	12,406,270	2,222
Total.....	14,139	131,395	369,242,464	2,810

<sup>1</sup> Of this total number 173 charters have been canceled by consolidation or otherwise, by Federal land bank districts, as follows: Springfield, 3; Baltimore, 2; Columbia, 12; Louisville, 18; New Orleans, 3; St. Louis, 23; St. Paul, 9; Omaha, 5; Wichita, 64; Houston, 18; Berkeley, 15; Spokane, 1. Therefore, on December 31, 1920, there were 3,966 national farm loan associations in actual operation.

#### FUNDS FOR LENDING TO FARMERS.

The money which the Federal land banks lend to farmers is not furnished by the Government unless the Government buys the bonds issued by the banks. Funds are provided by the sale of bonds to the investing public. Bonds are of various denominations to meet the needs of persons having money to invest. Under a recent amendment to the farm loan act approved March 4, 1921, bonds for small investors are authorized at \$40 and \$100; for large investors at \$500, \$1,000, or larger denominations. These bonds make a safe investment for sav- ings, as they draw interest at 5 per cent at the present time.

#### THE FARM LOAN SYSTEM IS AN ESTABLISHED FACT.

The policy of providing capital for agricultural development through an organization supplying long-time credit on farm mortgages based on the amortization plan of repayment of principal, under the supervisory authority of the Government, was settled by Congress in the enactment of the farm loan act, and has since been indorsed in principle by both of the great political parties.

The Federal land banks must, therefore, without regard to individual views as to the soundness of the policy, be accepted to-day as an integral and permanent part of our financial system, and it is the duty of everyone charged with official responsibility to facilitate their orderly functioning in every reasonable way. This is clearly the view of Secretary Mellon, as indicated by the following statement made before the Committee on Banking and Currency of the House:

If you are going back to just the broad question of policy, I believe that the policy for an organization to issue tax-free bonds for any class of borrowers is not a sound one. But the legislation has been enacted, and these organizations are going on, and if ever the situation requires the aid of the Government to the farm loan banks now is the time.

It is quite clear, therefore, that in these days of stress it would be absolutely wrong to uproot a system which is doing so much good to our fundamental industry—farming. And, in this statement, the Secretary, with his broad experience and sound financial judgment, recognizes the existence of a situation which requires the open door of every agency operating under Government auspices which may in any measure provide credit relief for agriculture.

#### RESULTS UNDER THE FEDERAL FARM LOAN SYSTEM.

It has equalized the rate of interest, reducing the exorbitant charges to a maximum of 6 per cent. It has made it possible for landless tenants to become landowners on the amortized

plan of repayment. It is estimated that the farmers of America have been saved in commissions not less than \$20,000,000 and not less than \$30,000,000 in interest as a result of the competition of the banks created by the farm loan act. Notwithstanding the prevalence of drought and unfavorable climatic conditions in several Federal land bank districts and the very stringent credit situation now existing, the total delinquencies on March 31, 1921, amounted to approximately 2 per cent of the matured payments, and during the four years of the existence of the system the foreclosures have been so few that the Federal land banks have not reported them to the Federal Farm Loan Board for action. Only in rare instances have the banks resorted to foreclosure proceedings because of the failure of the borrowers to meet their regular installments on the loans.

The Federal farm loan system has, therefore, demonstrated its great economic value, and is full of promise for the development and welfare of our great agricultural interests of the Nation.

#### SOME OBJECTIONS RAISED AGAINST THE FARM LOAN SYSTEM.

It may be urged that this is granting a special privilege to the farmers, and that the farm loan system itself is a form of subsidy in that its instrumentalities are exempt from taxation. If the system carries a subsidy for agriculture, I think this is justified on the ground that agriculture is fundamental to civilization and life, and that every occupation has a direct and vital interest in the adequate production of farm products. I believe I am right in saying that no other industry lends itself so substantially and is of such absolute necessity to all other industries and activities as is agriculture, and no complaint against this slight privilege to agriculture is heard save perhaps from those who heretofore have controlled a monopoly on the farm-mortgage business of the country.

The objection raised against this bill that the bonds are tax exempt and that we should not increase tax-exempt securities, I think is well founded, and I wish to say that I am fully agreed with these critics and am ready immediately to vote to prohibit all future issues of tax-free securities of any and all kinds. But this raises a very fundamental question of the constitutional rights of the States, and we all agree that we do not have any right to make any such restriction without an amendment to the Constitution.

We are told that there are about \$16,000,000,000 of tax-exempt securities afloat in this country to-day, increasing by a billion dollars every year; whereas the total amount of farm-loan bonds issued by both the joint-stock land banks and Federal land banks amount to approximately \$427,000,000. Therefore it does seem to me that the argument does not lie with any weight against the continuation on the part of the Federal farm loan system to sell tax-exempt bonds to encourage a basic industry and to turn the tide of population as far as possible from the city to the farm.

Why attack the farmers' interest first, when they only have about 2½ per cent of the estimated tax-exempt securities? Moreover, mutual savings banks, securities of which the revenue bill especially exempts, hold, according to the last available statement, in excess of \$2,000,000,000 of mortgages, and the depositors, who get the benefit of this tax exemption, are mostly city dwellers. The mutual building and loan associations, the securities of which are likewise exempt, had, according to the last published statement, in excess of \$1,700,000,000 of tax-free securities. This benefit accrues to urban populations exclusively. In other words, I believe that we should not make an attack upon the small portion of tax-free bonds for the benefit of the farmer when we have the flood of tax-exempt securities largely in the interest of the urban populations.

In conclusion I wish to say that in view of all these facts it does seem to me that no valid objection can be raised against the passage of this bill. Those who object to the Government doing anything in a special way should remember that this system is already inaugurated. We are now responsible for it, and we should either remove it altogether or else make it function. Nothing can be more pitiful than to put a system in operation that has not the proper facilities to operate efficiently and successfully. So far as Government aid is concerned, there is ample precedent in every conceivable way in the past, because the Government has rendered aid to innumerable projects, such as has been given to the railroads, reclamation projects, tariffs, and so forth.

Briefly, therefore, the reasons why I believe this bill should be passed are as follows:

- (1) To aid and encourage a basic industry in a time of nationwide agricultural distress.
- (2) To stop the unscrupulous money lender from charging exorbitant rates and commissions and enable the farmer to re-



finance his past-due mortgage loans now threatened with foreclosures in every section of the country.

(3) To aid the tiller of the soil to produce, sell, and buy, and thus start our stagnant industries in operation and put our idle millions to work.

(4) To liquidate the long-time credits in our country banks and give these banks a chance to locally finance the farmers in short-time loans for their immediate needs.

The passage of this bill will help to renew business activity and continued progress in every line of agriculture, commerce, and industry. Its spirit of constructive cooperation will help to make our Nation more socially happy and economically contented. I plead alike for the farmer and the laborer, the manufacturer and the business man, because the welfare and happiness of all rest primarily on the successful and contented tiller of the soil. [Loud applause.]

Mr. WINGO. Mr. Chairman, I yield 15 minutes to the gentleman from South Carolina [Mr. STEVENSON].

Mr. STEVENSON. Mr. Chairman and gentlemen, a year ago, when the deflation processes began to be acute, the power to loan money to the farmers of this country by the farm loan banks was tied up by injunction and was kept tied up by injunction of the Supreme Court for 12 months. To make it worse, about the 30th of May, 1920, the Supreme Court of the United States announced that it could not determine the case as to the constitutionality of the farm loan act, and ordered a reargument to be held in October, and of course that put a conclusive end to any selling of any obligations of the farm loan system and raised a doubt as to its constitutionality which was much greater than ever existed before.

Immediately the price of farm products under the deflation processes began to go down. The wheat of the West became a drug in the market, the cotton of the South was deflated from 40 cents to 15 cents a pound. The banks that had loaned to make these crops under the most expensive conditions that ever had been made were unable to collect because the farmer was unable to sell his crop for enough to pay the debt contracted to make the crop. That went on and got worse, and the farmers were called on to liquidate their indebtedness. Under the policy adopted by the Federal Reserve Board very many had to liquidate their indebtedness, and many of them have not yet had to do it, but they have gone ahead, and in many instances, notably in the West, have sold the crop against which the obligation exists, and it has paid but a small per cent of the obligation which was contracted in making the crop.

The result is that in the banks of this country there is this agricultural paper uncovered except by the solvency of the individual who signed the notes, the original source of the payment having been sold and dissipated for much less than the obligation which existed. The commercial banks, therefore, are tied up, and as we are passing we might say that the Federal Reserve Board has not forced them to liquidate this paper in many instances, and they are entitled to some credit for that. These banks are tied up with paper on which if they forced payment to-day much of it would be worthless, and great losses would be entailed on the banks. The farmers are here asking us to enable the farm loan banks to put enough money behind them to allow them to put up their real estate and get the money to liquidate the indebtedness that is in the banks and save the situation and prevent a catastrophe in this country, from a financial standpoint, that will probably cost us 10 years of depression to get over unless it is done. That is the situation which confronts this country. It is no ordinary situation; it is no local situation.

Gentlemen from the extreme Northwest, gentleman from the Middle West, gentlemen from the far West, from the South, and from the Southwest, all unite in making the statement that if the farmers can borrow the money on their real estate on the same scale that the Federal Farm Loan Board can loan it, they could liquidate much of this uncovered indebtedness that is in the banks and enable the wheels of business to begin to turn in this country and relieve the banks from being forced into liquidation. That being the case, we find \$140,000,000 of applications for loans by farmers of this country under this emergency. The Federal Farm Loan Board finds that selling bonds is rather slow. They sold \$40,000,000 this spring. They can not sell more than \$40,000,000 at one time and they can not sell them every 30 days. They have got to get the money to tide along and loan to the farmers and take their mortgages on their lands and sell the bonds as they can. Hence they asked for a revolving fund of \$50,000,000. The Senate very promptly passed a bill giving it to them. It came to the House of Representatives and went to the Banking and Currency Committee, and some weeks ago it was reported out of that committee by a

divided committee. The report never was filed. Influences were brought to bear to cut down the amount and get unity of action. I have not any question but that the bill carrying \$50,000,000, as originally reported, would have been passed overwhelmingly in this House if the House could have had a vote upon it, but it never got to that point. It went back to the committee and then the Farm Loan Board came down there and stated that they were entirely satisfied with the \$25,000,000 that this provides additional. Let us see about that. The Farm Loan Board came there. We had a discussion, and they were present. They were asked, "Is that not enough? Will not this answer the purpose?"

The chairman of the board was hesitant, but he said, "Yes; we can get along with this." I said, "This would constitute a life-saver—that is what it would be, is it not?" That is the exact language used, and he repeated it. He says, "Yes; this will be a life-saver, and that is all there is to it." Fifty million dollars would be much better, \$100,000,000 would be much better still, because by next fall the condition that confronts us now will be probably relieved by the cheapness of making the crops this year and a possible reaction in prices, but now is the time when these men need to liquidate their debts in the bank, and therefore we stand for the bill as originally passed by the Senate, because it gives more in this emergency than this bill does by \$20,000,000 and because there will be no hanging up of the bill when it goes to the Senate by a conference. If a man is drowning, if you are going to send him a life preserver, you ought not to wait until he drowns before you give it to him; but you should give it to him now, and that is what we want to do.

Talk about \$50,000,000 being very heavy! Some people say that we want to give the farmers special privilege. Let us see what this bill provides. It provides for a deposit of \$25,000,000 at a rate of interest one-half of 1 per cent higher than the rate of interest which they get on their bonds, which is a penalty. It is a rate of interest  $3\frac{1}{2}$  per cent higher than they charge the national banks of the country; it is higher than they charge a special depository, or a foreign depository, when they deposit their money. That is no special privilege; that is a penalty for being poor.

The last Treasury report which tells us where the money of the United States is deposited says that \$75,000,000 are deposited in the Federal reserve banks. They have power of issuing Federal reserve notes, gold reserves, and to-day they would be able to issue \$2,000,000,000 more than is outstanding. They have in their account now \$39,000,000 of profit that is due the United States, which has not been turned over to the President. Yet people talk about its being hard to give the farmers \$50,000,000 in their banks and charge them 5½ per cent for it. Let us see where the other money is. Deposits in special depositories, \$542,000,000. Those depositories pay only 2 per cent interest. To the credit of the United States in foreign depositories, \$681,000, and to the credit of Government offices in foreign depositories, \$53,843,000. Yet you say it will not do to give a deposit in the banks of \$50,000,000 to the credit of the farmers, when you have \$55,000,000 deposited in foreign depositories under an act which we passed here during this Congress, deposited for the purpose of fostering commerce and enabling the Government's transactions to go on easily over there.

Mr. BARKLEY. Mr. Chairman, will the gentleman yield?

Mr. STEVENSON. Yes.

Mr. BARKLEY. What interest does the \$55,000,000 in foreign depositories yield?

Mr. STEVENSON. So far as I know, absolutely none. In the national banks of this country there are \$20,000,000 deposited, and they pay 2 per cent. Yet you talk about its being a great act of grace to loan \$25,000,000 to the farmers' banks at 5½ per cent.

I submit that the Senate bill ought to be passed, and it ought to be passed just as it is without writing another mark upon it. I would be willing to amend it to make it \$100,000,000, and say to the people of this country that the basic interest of this country is endangered, and that if they do not provide for liquidating their hold overs from last year's crops, they are going to bring down the whole structure of finance of the country banks on their heads and bring destruction on the financial interests of this country.

Now, is there any reason why money should not be available? What is going on in this country? In 12 months our gold reserve was increased from 49 per cent to 72 per cent, 32 per cent more than the law requires. Everybody is talking about hard times, and yet the ability of this country to finance itself has never been as great in the history of the country, as shown in the last report of the Federal reserve banks. They could

issue 80 per cent more Federal reserve notes than are outstanding to-day and still protect their gold reserve, and in the name of common sense what is gold for and what is money for if it is not to be used in time of financial stress? Are we hoarding it when we want to use it? I want to say that the time has come when there ought to be a loosening up of credits in this country, and there ought to be a loosening up because you are building up a hoarding system until we will get to a point where popular sentiment will break down and overthrow your board and bring destruction to your whole financial system. Now, let us get at another thing. The Federal reserve notes 12 months ago were \$3,104,000,000. To-day there are \$2,674,000,000. In other words, they have got a half billion dollars less notes outstanding and we have got more than five hundred million more free gold reserve. Then, I say, there is no reason in the world why this permission should not be given to the Secretary of the Treasury. I want to call attention to another thing about this: They say that you must not put the word "shall" in here when you are dealing with the Secretary of the Treasury about his deposits. You must not use the word "shall" in reference to deposits. No, no; leave it to his discretion, but when it comes over to the part about paying it back, it says that 15 days after the conclusion of the general offering of Federal land bonds the Treasurer "shall" demand a repayment of the \$25,000,000.

The CHAIRMAN. The time of the gentleman has expired. Mr. STEVENSON. May I have one minute more?

Mr. WINGO. I yield the gentleman an additional minute.

Mr. STEVENSON. Now, if you do not want to make it imperative to make him deposit it, why make it imperative to require him to call it, whether they are prepared to pay or not?

Mr. McFADDEN. The gentleman is aware, of course, that the suggestion is from Mr. Lobdell, one of the commissioners?

Mr. STEVENSON. That may be, but Mr. Lobdell does not happen to be a member of the legislative department of this Government. I am tired of hearing that just because somebody says it, we should do so-and-so. I am a Representative of 240,000 people, and they expect me to exercise my judgment, regardless of Mr. Lobdell or anybody else, and I propose, if somebody else does not do it, to move to strike out the word "shall" and insert the word "may," and have it discretionary with the Secretary of the Treasury in both instances as to whether he will make deposits and whether he will call it in 15 days. [Applause.]

The CHAIRMAN. The time of the gentleman has again expired.

Mr. McFADDEN. I yield 10 minutes to the gentleman from North Dakota [Mr. Young].

A GOVERNMENT BOUNTY ON CANADIAN LUMBER WOULD BE MORE DEFENSIBLE THAN A TARIFF.

Mr. YOUNG. Mr. Chairman, one of the big things, perhaps, the most important thing standing in way of reduction of prices, is rent, and the biggest factor in rent, at least so far as it can be affected by legislation in Congress, is lumber.

#### REPUBLICAN CAUCUS PROBABLE.

Every day it becomes more evident that the Members of the House will insist upon a Republican conference in respect to lumber duties. In order that those who attend this conference, or caucus, as it is used to be called, may have before them in convenient form the main facts in respect to the proposed duty on dressed lumber, I have undertaken to present to the House a considerable amount of information in respect to the lumber industry, both in the United States and in Canada.

Mr. Speaker, any duty imposed against lumber can be justified only from the standpoint of revenue or that the lumber industry is suffering from foreign competition and is in need of tariff protection.

#### LUMBER TARIFF FROM REVENUE STANDPOINT INDEFENSIBLE.

It is my contention that it can not under any circumstances be defended from the standpoint of revenue for the reason that the proposed duty of 25 per cent ad valorem reported in the newspapers will be absolutely prohibitive. Under such a duty I doubt if a single board of finished lumber would be imported excepting under unusual conditions, when demand might exceed supply. It is conceivable that under such conditions if there were such a thing possible as a building boom lumber prices might reach a point where there would be some importations; but the duties collected would be negligible. Upon hardwood flooring it would amount to from \$8 to \$20 per thousand feet, depending upon the quality, and later I shall give the figures on other kinds of dressed lumber.

#### REPUBLICAN PLATFORM DELIGHTFULLY INDEFINITE.

From the standpoint of protection it is also unjustifiable. There was a time when Republicans used to believe that the tariff should measure the difference in the cost of production at home and abroad, to which at times was added the idea that there should also be a reasonable profit to the American manufacturer, but I see from the Republican platform adopted last year in Chicago that while the attention of those in the convention, as well as those outside of it, was centered on other questions of absorbing interest, an entirely new measure of protection was announced in these words:

The Republican Party reaffirms its belief in the protective principles and pledges itself to a revision of the tariff as soon as conditions shall make it necessary for the preservation of the home market for American labor, agriculture, and industry.

This tariff plank is so delightfully indefinite that the party is not pledged to a revision either upward or downward. But our duty to do the rational thing in respect to the tariff on lumber, as well as other commodities, is none the less obligatory upon us.

Getting back of our most recent party utterance as to the tariff to a time when our people were thinking more about it, I think we should approach the consideration of a duty on lumber from the standpoint of the relative costs of production between this country and Canada, which is our only competitor covering that commodity. Those who seek a duty on lumber must show that if they are granted a duty by this House, that production costs, including freight rates by reason of a longer haul, are lower in Canada than in our country. This they have been utterly unable to do up to this time.

#### NO COUNTRY CAN MAKE LUMBER SO CHEAPLY AS OURS.

Mr. Chairman, it is my belief that no country in the world can manufacture lumber in commercial quantities as cheaply as the United States, and that Canada, our only competitor, is no exception.

Let us consider, first, the element of labor. Based upon the reported cut in the United States as contained in the last available bulletin, No. 845, of the United States Department of Agriculture, and the wages paid in 1921, and based upon the total Canadian cut for 1919, which is the last available from the Dominion statistics on lumber cut, and the wages paid in 1921, we get the following results:

#### LABOR CHEAPER IN UNITED STATES.

Mr. Chairman, the average wage paid at the present time for common labor in Canada is greater than in the United States.

Average wage: Canada, \$3.37 per day; United States, \$2.86 per day.

#### UNITED STATES.

13,354,418,000 board feet manufactured on the basis of 20 cents per hour, 10-hour day.

9,746,848,000 board feet manufactured on the basis of 45 cents per hour, 8-hour day.

6,260,754,000 board feet manufactured on the basis of 35 cents per hour, 10-hour day.

Average common labor, \$2.86 per day.

#### CANADA.

1,432,068,000 board feet manufactured on basis of 35 cents per hour and 9-hour day.

2,694,915,000 board feet manufactured on basis of 35 cents per hour and 10-hour day.

Average common labor, \$3.37 per day.

The average wage paid in 1920 for common labor was also greater in Canada than in the United States.

Average wage: Canada, \$4.82 per day; United States, \$3.88 per day.

#### UNITED STATES.

13,354,418,000 board feet manufactured on the basis of 30 cents per hour common-labor rate and 10-hour day.

9,746,848,000 board feet manufactured on the basis of 55 cents per hour common-labor rate and 8-hour day.

6,260,754,000 board feet manufactured on the basis of 50 cents per hour common-labor rate and 10-hour day.

Average common labor, \$3.88 per day.

#### CANADA.

1,432,068,000 board feet manufactured on basis of 50 cents per hour common-labor rate and 9-hour day.

2,694,915,000 board feet manufactured on basis of 50 cents per hour, 10-hour day.

Average common labor, \$4.82 per day.

The relative labor costs are well supported by the fact that we are shipping two and one-half million dollars' worth of lumber per month to one Canadian Province—Ontario.



## LUMBERMEN NOT UNITED FOR A TARIFF.

Mr. Chairman, the lumbermen themselves are by no means united in the request for a duty on lumber. Mr. John Kirby, president of the National Lumber Manufacturers' Association, whose remarks can be found in the printed hearings before our committee, said that a duty on lumber could not be justified from the standpoint of protection, although he did say that the Government ought to pick up some revenue out of the importations. Evidently he had no thought that a duty so high as 25 per cent ad valorem would be proposed, because such a duty, for the reasons already stated, can not be regarded as a revenue duty, because the rate is practically prohibitive.

Many of the lumber manufacturers are opposed to the imposition of a duty on lumber, perhaps a majority of them. It is said by those who wish a duty on lumber that only those particular manufacturers who own mills both in the United States and Canada are in favor of free lumber. That statement is not true and can not be borne out by the facts. It is possible, however, to obtain very valuable figures from those particular concerns which do own mills in both the United States and Canada, because such concerns can give us accurate costs of production in both countries.

Here is a statement from a lumber concern which owns mills in both Minnesota and Ontario. Everyone knows, of course, that Ontario joins Minnesota on the east. The statement compares operations in western Ontario and eastern Minnesota, as follows:

## WAGES HIGHER IN ONTARIO.

Statement showing a comparison of average wages per hour paid by a typical Minnesota sawmill and a typical western Ontario sawmill during 1919, 1920, and for the season of 1921.

[These two mills fairly represent the scale of wages in all plants in the two territories.]

Class of employment.	1919		1920		1921 <sup>1</sup>	
	Ontario.	Minnesota.	Ontario.	Minnesota.	Ontario.	Minnesota.
Boom.....	\$0.425	\$0.425	\$0.550	\$0.550	\$0.450	\$0.385
Log dock.....	.450	.450	.550	.550	.450	.385
Sawyer.....	.900	.900	1.150	1.150	.925	.900
Settler.....	.525	.525	.675	.675	.550	.475
Rider.....	.450	.450	.550	.550	.450	.385
Tail Sawyer.....	.450	.450	.550	.550	.450	.400
Bull chain.....	.425	.425	.525	.525	.425	.370
Edgerman.....	.500	.500	.650	.650	.525	.475
Stripper.....	.450	.450	.550	.550	.450	.385
Head-end slasher.....	.425	.425	.525	.525	.425	.370
Tail-end slasher.....	.450	.450	.550	.550	.400	.350
Trimmerman.....	.400	.400	.500	.500	.400	.350
Saw puller.....	.450	.450	.550	.550	.400	.350
Trimmer table.....	.400	.400	.500	.500	.400	.350
Grader table.....	.400	.400	.500	.500	.400	.350
Lever.....	.450	.450	.550	.550	.425	.385
Resawyer.....	.475	.475	.575	.575	.450	.400
Oiler.....	.450	.450	.550	.550	.450	.385
Millwright.....	.500	.500	.725	.725	.600	.420
Fireman.....	.475	.475	.600	.600	.475	.420
Engineer.....	.490	.490	.625	.600	.500	.420
Common labor.....	.400	.400	.500	.500	.400	.350
Average, all classes.....	.47	.47	.593	.587	.478	.413

<sup>1</sup> Prevailing wage at present time.

It will be noted that the existing (1921 basis) wages in Ontario are higher than in Minnesota. During 1919 and 1920 and 1921 Ontario labor paid in American money.

These two operations cut the same species of timber, they are nearly the same size, and their method of manufacture is the same.

NOTE.—The wages paid in Minnesota and western Ontario during 1919 and 1920 were practically identical. The wages paid in Ontario at present and the 1921 basis are higher than Minnesota.

## LUMBER MANUFACTURING COST ON PACIFIC COAST CHEAPER THAN BRITISH COLUMBIA.

Mr. Chairman, turning to the matter of wages paid on the west coast, where fir and spruce are produced west of the Cascade Mountains and pine east of the Cascade Mountains, which also applies to British Columbia as well as Washington and Oregon, I wish to direct the attention of the House to the fact that the west coast of the United States has been operating on an eight-hour day as against nine hours in British Columbia. For that reason the average wage per hour on our west coast for the lower classes of labor is somewhat higher than in British Columbia, but this is offset by the added efficiency of the American laborer. The west coast producers themselves admitted to the Ways and Means Committee that their labor was more efficient. As to the higher classes of labor and skilled labor there is practically no difference in wages, although one mill in British Columbia may pay greater wages for a sawyer than a certain mill in Washington, and vice versa.

The claim is made by those who desire a tariff that oriental labor in British Columbia is a material competitive factor. There are approximately 4,200 orientals in British Columbia in the woods, sawmills, and shingle mills, and approximately 6,000 orientals in like employment in the States of Oregon and Washington. As compared to our total consumption only one three-hundredths of the lumber used by this country is entirely manufactured by oriental labor in British Columbia. Hardly a competitive factor!

The timber licenses issued by the British Columbia Government forbid the employment of Japanese and Chinese in logging operations. Besides, labor costs are only useful as one factor of the total costs of production.

As to the total costs of producing lumber in Canada and the United States, the committee has before it figures which compare the costs of production of the various species of wood and producing districts of Canada and the United States. The cost of producing pine lumber in one country is compared with the cost of producing pine in the other; the cost of producing fir and spruce lumber in one country is compared with fir and spruce of the other. Composite figures for groups of mills must be used in order to reflect the competition of the average of all grades produced. I have taken as a basis of my comparison the costs of production during the year 1920, as submitted by the various lumber associations throughout Canada and the United States. These statements were compiled prior to the discussion of this tariff legislation. They are:

Total cost of producing southern pine, 1920, \$31.21 per 1,000 board feet, as submitted by the Southern Pine Association.

Total cost of producing pine lumber in eastern Ontario, as submitted by the Lumber Association, at Ottawa, Canada, for the entire year of 1920, \$38.10 per 1,000 board feet.

Total cost of producing fir and spruce on our west coast during 1920, as submitted in printed cost statements of the West Coast Lumbermen's Association, \$33.76 per 1,000 board feet.

Total cost of producing fir and spruce in British Columbia, as submitted in printed cost statements of the British Columbia Lumbermen's Association, \$36.77 per 1,000 board feet.

These figures are amplified and explained in the condensed operating statements of the West Coast Lumbermen's Association and the British Columbia Lumbermen's Association.

The gentleman from Minnesota [Mr. NEWTON], who has taken a very active part in the fight for free lumber, has handed to me these very valuable tabulated statements showing the comparative costs of producing lumber on the Pacific Coast States and British Columbia. I shall ask to have both of these statements printed in the RECORD. They are well worth the study of every Member of the House.

## LUMBER COSTS ON WEST COAST.

Condensed operating statement of West Coast Lumbermen's Association.

[Composite average, 58 operations, 12 months ending Dec. 31, 1920, shows 6.74 per cent return on investment.]

	Feet.	12 months to Dec. 31, 1920.	
		Amount.	Per thousand.
Logs (basis, log scale):			
Inventory at beginning.....	175,539,000	\$2,647,720.19	\$15.08
Cost of logs produced.....	1,032,667,000	15,861,884.66	15.36
Logs purchased.....	841,163,000	18,605,413.93	22.12
Total.....	2,049,369,000	37,115,018.78	18.11
Deduct—inventory at end.....	154,813,000	2,165,162.73	13.99
Cost of logs disposed of.....	1,894,556,000	34,949,856.05	18.45
Disposition—			
To lumber mill (sawn).....	1,783,407,000	33,279,902.75	18.66
To shingle mill.....	52,081,000	925,380.74	17.77
To others.....	54,413,000	1,083,172.20	19.91
Logs lost and used.....	4,655,000	69,569.98	14.94
Total.....	1,894,556,000	35,358,005.67	18.66
Log gain.....	1,894,556,000	408,149.62	.21
Lumber (basis, board measure):			
Inventory at beginning.....	353,374,000	7,452,247.83	21.09
Logs sawn (overrun, year, 7.6 per cent).....	1,918,205,000	33,279,902.75	17.35
Manufacturing costs.....	1,918,205,000	23,917,079.39	12.47
Lumber purchased.....	14,025,000	533,921.69	38.07
Total.....	2,285,604,000	65,183,151.66	28.52
Deduct inventory at end.....	467,753,000	7,539,173.21	16.12
Production cost of lumber sold.....	1,817,849,000	57,643,978.45	31.71
Shipping expenses.....	1,817,849,000	1,789,032.73	.98
Selling expenses.....	1,817,849,000	1,951,111.94	1.07
Total cost of lumber sold.....	1,817,849,000	61,384,123.12	33.76

LUMBER COSTS ON WEST COAST—continued.  
Condensed operating statement of West Coast Lumbermen's Association—Continued.

	Feet.	12 months to Dec. 31, 1920.	
		Amount.	Per thousand.
Lumber—Continued.			
Sales, lumber f. o. b.—			
Rail.....	1,322,546,000	\$50,110,740.89	\$37.89
Cargo.....	357,286,000	11,314,318.78	31.67
Local.....	108,513,000	3,773,398.86	34.77
Company.....	29,504,000	707,790.90	23.99
Total sales.....	1,817,849,000	65,906,249.43	36.25
Underweights.....	878,231,000	795,780.20	.91
Total.....	1,817,849,000	66,702,029.69	36.69
Lumber gain.....	1,817,849,000	5,317,906.57	2.93
Log gain.....	1,817,849,000	408,149.62	.22
Lath, wood, and sawdust gain.....	1,817,849,000	1,421,518.58	.78
Miscellaneous operations, gain.....	1,817,849,000	852,517.63	.47
Actual operating gain.....	1,817,849,000	8,000,002.40	4.40
Amount invested capital per thousand annual output (based on data furnished price-fixing committee of War Industries Board in 1918).....			65.29
Percentage return on invested capital.....			6.74

NOTE.—This statement represents all operating reports received covering the 12 months' period and includes operations shown on opposite page plus mills not reporting the month of December separately.

LUMBER COSTS IN BRITISH COLUMBIA.  
Composite operating statement of British Columbia Lumbermen's Association.  
[23 operations, 12 months ended Dec. 31, 1920, being 51.7 per cent of average daily output.]

	Material.	Amount.	Per thousand.
Logs (basis, log scale):			
Logs purchased.....	398,123,966	\$9,394,573.82	\$23.60
Logs to lumber mill.....	397,905,815	8,583,301.83	21.57
Lumber (basis, board measure): Logs sawn, overrun 8.2 per cent of mills showing over-run.....	428,901,127	8,583,301.83	20.01
Manufacturing expenses:			
Labor.....feet analyzed.....	428,901,000	3,178,233.51	7.41
Supplies.....do.....	340,164,000	420,515.88	1.24
Maintenance and repairs.....do.....	307,894,000	364,510.25	1.18
Or supplies and maintenance and repairs.....feet analyzed.....	88,737,000	198,599.63	2.24
General expense (mill).....do.....	333,399,000	322,622.86	.97
Fire insurance.....do.....	428,901,000	223,399.59	.52
Workmen's compensation.....do.....	427,172,000	75,065.42	.18
Depreciation.....do.....	417,593,000	447,446.41	1.07
Shut down overhead.....do.....	81,904,000	29,838.61	.36
Administrative.....do.....	428,901,000	517,757.55	1.20
Total of manufacturing expenses.....	428,901,000	5,778,149.71	13.47
Total cost of manufacturing.....	428,901,127	14,361,451.54	33.48
Lumber inventory at beginning.....	100,068,740	1,511,124.28	15.10
Lumber purchased.....	11,225,362	428,616.90	38.20
Total cost of lumber handled.....	540,195,229	16,301,192.72	30.18
Deduct—inventory at Dec. 31, 1920.....	131,623,900	2,052,943.21	15.60
Production cost of lumber sold.....	408,571,329	14,248,249.51	34.87
Add:			
Shipping expenses.....feet analyzed.....	349,413,000	589,570.35	1.68
Selling expenses.....do.....	333,926,000	187,710.71	.56
Total cost of lumber sold.....		15,025,530.57	36.77
Sales, lumber f. o. b.....		17,115,893.84	41.89
Profit.....		2,090,363.27	5.12
Deduct—financial expenses, sales, discount, etc.....		254,368.24	.63
Net profit, lumber sales.....		1,835,995.03	4.49

LABORERS GO BACK AND FORTH TO CANADA.

But, Mr. Chairman, perhaps the most conclusive thing which can be cited to show that the lumber costs are practically the same in Canada as in the United States is the fact that labor goes back and forth between one country and the other. My esteemed colleague from Oregon [Mr. HAWLEY] brought this situation to light, as will be seen by the foregoing dialogue, which occurred at the public hearings before our committee:

Mr. COLLIER. And you don't want any protection on lumber, but just revenue?

Mr. SAUNDERS. I don't think we particularly need protection.

Mr. HAWLEY. Have you made any inquiry as to the cost of production of the competing product in Canada?

Mr. SAUNDERS. Yes, sir.

Mr. HAWLEY. Can they manufacture a thousand feet for a less price than you can?

Mr. SAUNDERS. I think not, sir. Our wages are the same. Our workmen exchange some.

Mr. Saunders is a Michigan lumberman.

COST TO AMERICAN CONSUMERS.

Now, as to what it will cost American consumers: First of all, it depends on the wording of the lumber paragraph as finally carried in the bill.

If the bill when it shall have been finally considered and finally agreed upon and reported embraces all planed lumber as well as lumber tongued and grooved, it will cover 100 per cent of all imported dressed lumber; if it embraces only lumber which is tongued and grooved, it will cover about 50 per cent of all imported dressed lumber.

Dressed lumber, which includes all siding, ceiling, flooring, ship-lap, sheathing, and partition, is the chief requirement for houses, barns, garages, machine sheds, and storehouses, now so scarce all over the country. An ad valorem duty on these items will mean a duty of from \$5 to \$12 per thousand feet on the softwoods, depending on the quality, and from \$8 to \$20 per thousand on hardwood flooring.

It is up to us to face this problem squarely. Those who are satisfied with having only rough lumber free are those who will be content with a house where the snow will sift through in the winter and the flies crawl through in the summer.

Here is an average estimate of the increase of cost to the building of dwellings and farm construction if a 25 per cent ad valorem tax is adopted and is taken full advantage of by the manufacturers.

Wholesale, not retail, prices are given.

At Manhattan, Kans.: One farmhouse of 7 rooms and one barn of lumber.

Total footage of all lumber, 50,000 board feet, one-third of which will be dressed one side and one edge; the balance will be worked to pattern, such as flooring, siding, ceiling, partition, and sheathing, which can properly be classed as tongue-and-grooved material.

Approximate present price of total material:

16,000 feet at \$35.....	\$560.00
34,000 feet at \$50.....	1,700.00
100,000 shingles at \$6.....	600.00
Total.....	2,860.00

Duty increases 16,000 feet by \$5 per 1,000 feet.....	80.00
Duty increases 34,000 feet by \$8.75 per 1,000 feet.....	297.50
Duty increases shingles by 60 cents per 1,000.....	60.00

Total increase in wholesale prices by duty..... 437.50

At Lexington, Nebr.: One farm, 7-room house of lumber.

Total footage of lumber, 22,000 board feet.

If amended schedules means that any lumber finished on one or more sides is dutiable, the entire amount above is taxed.

Total present cost:	
6,000 at \$36.....	\$216.00
16,000 at \$50.....	800.00
40,000 shingles at \$6.....	240.00
Total cost.....	1,256.00

Duty increases 6,000 feet by \$5 per 1,000 board feet.....	80.00
Duty increases 16,000 feet by \$8.75 per 1,000 board feet.....	140.00
Duty increases 40,000 shingles by 60 cents.....	24.00

Total increase by proposed duty..... 244.00

At Des Moines, Iowa: One urban home of 7 rooms.

Total footage of lumber, 27,000 board feet.

Present cost:	
9,000 feet at \$37.50.....	\$337.50
18,000 feet at \$60.....	1,080.00
50,000 shingles at \$6.50.....	325.00
Total cost.....	1,742.50

Duty increases 9,000 feet by \$5.....	45.00
Duty increases 18,000 feet by \$10.....	180.00
Duty increases 50,000 shingles by 60 cents.....	30.00

Total increase caused by duty..... 255.00

At Bismarck, N. Dak.: One urban home of 8 rooms.

Present cost:	
7,500 feet at \$36.....	\$270.00
20,000 feet at \$58.50.....	1,170.00
55,000 shingles at \$6.35.....	349.25
Total cost.....	1,789.25

Duty increases 7,500 feet by \$5.25 per 1,000 feet.....	39.37
Duty increases 20,000 feet by \$9.50 per 1,000 feet.....	190.00
Duty increases 55,000 shingles at 60 cents.....	33.00

Total increase caused by duty..... 262.37



At Racine, Wis.: One 8-room house and barn.  
Total footage of lumber, 55,000 board feet.

Present cost:	
19,000 feet at \$36.50	\$689.50
36,000 feet at \$60	2,160.00
120,000 shingles at \$6.50	780.00
Total cost	3,629.50
Duty increases 19,000 feet by \$5.25	99.75
Duty increases 36,000 feet by \$10	360.00
Duty increases 120,000 shingles by 60 cents	72.00
Total increase caused by duty	531.75

At Springfield, Ill.: One 7-room house.  
Total footage, 22,000 board feet.

Present cost:	
6,000 feet at \$38.50	\$231.00
16,000 feet at \$60	960.00
40,000 shingles at \$6.65	266.00
Total cost	1,457.00
Duty increases 6,000 feet by \$5	30.00
Duty increases 16,000 feet by \$10	160.00
Duty increases 40,000 shingles by 60 cents	24.00
Total increase caused by duty	214.00

At Benton Harbor, Mich.: Same as Springfield, Ill.  
Cincinnati, Ohio: One urban home of 8 rooms.  
Total footage, 29,000 board feet.

Present cost:	
9,500 feet at \$38.50	\$365.75
19,500 feet at \$62.50	1,218.75
58,000 shingles at \$6 per M	382.80
Total cost	1,967.30
Duty increases 9,500 feet by \$5	47.50
Duty increases 19,500 feet by \$9	175.50
Duty increases 58,000 shingles by 60 cents per M	34.80
Total increase caused by duty	257.80

Pittsburgh, Pa., Mount Vernon, N. Y., and any New England point: Duty affects same as at Cincinnati, Ohio, \$257.80.

Mr. LONGWORTH. Will the gentleman yield?

Mr. YOUNG. I will.

Mr. LONGWORTH. I did not come into the House in time to hear the gentleman's opening remarks. Do I understand the gentleman is now making a statement as to the action of the Committee on Ways and Means on lumber?

Mr. YOUNG. No; I have not made any statement of what action the Ways and Means Committee has taken, but I will say to the gentleman that the newspapers of the country have carried statements repeatedly, apparently handed out by those in favor of a duty, that a duty will be carried on certain classes of lumber, and they have been very careful to say it is not going to be put on all classes but is going to be 25 per cent on a certain class.

Mr. LONGWORTH. The gentleman is stating to this House that the committee has decided to put a duty on certain classes of lumber, is he?

Mr. YOUNG. I am stating that the committee has the matter of lumber duties under consideration, and I am saying that if a duty of 25 per cent ad valorem is placed on dressed lumber that it will increase the cost of the building of a house and barn at Manhattan, Kans., \$437.50, provided the manufacturers of this country take full advantage of that duty.

Mr. LONGWORTH. The gentleman has not made a definite statement that anything has been decided upon in reference to it?

Mr. YOUNG. I have not stated what the committee will finally report.

Mr. LONGWORTH. Has the gentleman stated what has so far been agreed upon—

Mr. YOUNG. I have not done so; but I will say the newspapers have carried the reports repeatedly, apparently handed out by those who want a duty, that it is not to be a duty on all lumber, but it is going to be confined to dressed lumber, the same amount as that charged by Canada against us, which is 25 per cent.

Mr. LONGWORTH. I have no possible objection to the gentleman stating that if the committee decided to do a certain thing then a certain result might follow, but I hope the gentleman would not state to the House with any authority whatever that the committee has decided to put a duty on lumber, or no duty on lumber, or anything which has occurred in the committee.

Mr. YOUNG. I am referring to the duty of 25 per cent now carried by Canada, and what the effect would be if we imposed a similar duty. It is a question of the greatest importance not only to the Members of this House but to the people of this country that they face the situation and know what it means.

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. YOUNG. I will.

Mr. COOPER of Ohio. I would like to ask the gentleman from North Dakota by what authority he assumes that if there is a duty of 25 per cent put on lumber then that lumber will immediately advance 25 per cent?

Mr. YOUNG. I have not made that statement, I will say to the gentleman from Ohio.

Mr. COOPER of Ohio. I think the gentleman is trying to leave that impression, though.

Mr. YOUNG. No; I made a prediction of what would happen if the manufacturers take full advantage of the duty. And I want to tell you another thing, which is that the lumbermen of the United States have not been very slow in the past in taking advantage of trade opportunities. And I will say this—

Mr. OLDFIELD. Will the gentleman yield?

Mr. YOUNG. In a moment. There is still another consideration, which I had not intended to mention but am going to mention, and that is that the wholesalers, who usually charge a profit of about 15 per cent, will add that to whatever duty there will be; the retailers will put on another profit of about 25 per cent of whatever the cost is to them. Then the contractor will add 10 per cent to the grand total.

Mr. COOPER of Ohio. Will the gentleman yield for another question?

Mr. YOUNG. Certainly.

Mr. COOPER of Ohio. Is it not a fact, though, that the price of lumber is higher to-day under the Underwood tariff bill than under the last Republican tariff bill?

Mr. YOUNG. Lumber is not as high now as it has been, but—

Mr. COOPER of Ohio. Then you can not blame that on the tariff.

Mr. YOUNG. But the industry has flourished under free trade. They have enjoyed about 97½ per cent of the American lumber trade. They ought not to ask us for a high duty in order to capture the remaining 2½ per cent.

#### CONSERVATION OF TIMBER SUPPLY.

Conservation of our timber supply dictates a policy of free lumber.

The Chief Forester of the United States in his report issued June 1, 1920, in reply to Senate resolution 311, stated:

Three-fifths of the original timber of the United States has gone. We are using timber four times as fast as we are growing it. The forests remaining are so localized as greatly to reduce their national utility. That the depletion of timber is not the sole cause of recent high prices of forest production, but it is an important contributing cause whose effects would increase steadily as depletion continues. The virgin areas of the United States covered 822,000,000 acres; they have now shrunk to one-sixth of that area.

Mr. Chairman, if Congress should enact legislation to affect lumber at all it would be more logical to pay a bounty for all Canadian lumber shipped into our country than to erect a tariff wall so high as to shut it all out.

#### FEDERAL TRADE COMMISSION MAKES SERIOUS CHARGES.

As far as softwoods are concerned, I think the request for duties comes solely from the West Coast Lumbermen's Association, and other manufacturers of soft lumber throughout the country are either not particularly interested or are opposed to it. Bearing in mind that it is the West Coast Lumbermen's Association which is urging that we impose this duty, it might be well to read what the Federal Trade Commission has to say about the manufacturers who compose that association, which I think will be found very illuminating:

Between 1915 and 1920 wholesale quotations on fir lumber increased from 300 per cent to 500 per cent, and most items doubled in price after the armistice. Notwithstanding substantial reductions since the spring of 1920, on some items quotations still range about as they were in May and June, 1919, and on others as they were in the spring of 1917. On substantial portions of the production present quotations are still more than double the October, 1915, prices. Fir logs are quoted as of May, 1921, at prices identical with those which were fixed by the War Industries Board as the war-time maximum, and which the loggers continued in force as the minimum until June, 1919. These comparisons are based upon the published quotations of the manufacturers and loggers.

The loggers and lumber manufacturers of the Douglas fir region are organized for the purpose of taking concerted action on the prices of logs and lumber, supporting the prices so fixed by means of concerted restriction of production.

The relation between the fir-log and lumber markets is such that ordinary manufacturing profits tend to be absorbed in the price of logs and the valuation of timber, particularly on falling wholesale lumber markets. The frequent and present claims of unprofitable mill prices are largely explainable by the collusive action of loggers and timber-owning mills in enhancing the value of logs and standing timber.

Despite the fact that retail prices on lumber in January, 1921, had not been reduced proportionately to the decline in wholesale prices, the manufacturers joined hands with the retailers in an advertising campaign to revive buying, which, if successful, will tend to prevent such a reduction in retail prices.

The success of the Douglas fir loggers' and manufacturers' concerted efforts to advance prices in 1919 was threatened by the importation of Canadian logs, and led to efforts to prevent such importation. Failing in this, the British Columbian loggers became affiliated with the American associations and adopted the latter's prices.

#### DEMAND FOR FREE LUMBER NOT SECTIONAL.

Mr. Chairman, the demand for free lumber is not sectional. It comes from all over the country—north, south, east, and west. And it is not confined to any class. The people in the cities where rents are high and where housing problems are being studied as never before, want it and want it badly. The farmers are also for it. In this connection Mr. Gray Silver, Washington representative of the American Farm Bureau Federation, wrote me on May 23 as follows:

[President, J. R. Howard, Chicago, Ill.; Washington representative, Gray Silver.]

AMERICAN FARM BUREAU FEDERATION,  
MUNSEY BUILDING,  
Washington, May 23, 1921.

Hon. GEORGE M. YOUNG,  
House of Representatives, Washington, D. C.

DEAR MR. YOUNG: As you probably know, the American Farm Bureau Federation held a conference of its executive committee and representatives of State federations in Washington during the two weeks following April 11. On April 22 this conference, officially representing the entire American Farm Bureau Federation, passed a resolution, copy of which is attached, protesting against the placing of any import duty upon lumber, either in the rough or dressed state.

The total normal annual cut in this country is equivalent to about 24,000,000,000 cubic feet of standing timber (51,000,000,000 feet board measure and 110,000,000 cords of firewood). Of this amount the farmers consume close to 11,000,000,000 cubic feet, or 46 per cent of the entire cut. Agriculture, therefore, may be justly considered the greatest single wood-using industry of the United States.

Of the total saw-timber material, agriculture consumes 10,600,000,000 feet board measure, out of which 6,750,000,000 feet board measure is used for construction purposes. Nine hundred million feet board measure is made up of slack cooperage, shingles, and poles, and the balance is lumber in manufactured products purchased by the farmers. In addition to this consumption, the farmers consume 8,600,000,000 cubic feet of timber products in the form of fencing and fuel wood. The 10,600,000,000 feet board measure are equivalent to 2,400,000,000 cubic feet, making a total annual consumption of 11,000,000,000 cubic feet of lumber consumed by American agriculture.

The demand by the farming industry for lumber and timber products is steadily increasing and any curtailment in the supply of such materials will result in very serious injury to agricultural interests of the country. When we realize that the annual growth and reproduction in this country is in the neighborhood of 6,000,000,000 feet, and is mostly in the lower grades, we realize how seriously threatened is our future timber supply. With a situation such as this facing the country it would seem to us entirely impracticable to consider the placing of a duty on the importation of lumber. In fact, the conditions existing would point rather to the necessity of adopting a policy which would remove as far as possible the burden of supplying our needs from our rapidly depleting supply. Every piece of lumber imported from Canada saves just that much from our remaining supply, and therefore from a conservation angle a tariff on lumber merely serves to more rapidly deplete our own forest reserve.

We have carefully examined the testimony before your committee, and note several statements that are practically admissions on the part of the lumber interests that on a basis of cost they have nothing to fear from the importation of Canadian lumber. On the other hand, the fact that Canada imposes a 25 per cent ad valorem duty and has in addition to that an antidumping provision which allows them to further assess a 15 per cent ad valorem duty to protect Canadian lumber from American imports would strengthen our belief that our lumber does not need protection from Canadian lumber. This would leave the tariff on lumber as purely a revenue measure. It is estimated that we might possibly secure \$1,500,000 returns from the proposed tariff. The absurdity of appropriating \$7,000,000 for reforestation purposes and attempting to secure revenue from a tariff on importation of lumber would seem apparent on the face of it to anyone.

When, in addition to the general situation, we consider the present acute shortage of homes and the high prices still prevailing in construction work in this country we can see no possible justification for a tariff on lumber at this time.

Therefore we desire as strongly as possible to present the desires of the American Farm Bureau Federation as expressed in the attached resolution. We wish further to say that this matter has been submitted to our State and county bureaus and we have official resolutions passed by 15 State farm bureau federations and by hundreds of county farm bureaus protesting against this tariff on lumber.

Very truly, yours,

GRAY SILVER,  
Washington Representative.

#### SHALL WE ENDANGER OUR SPLENDID TRADE WITH CANADA?

Mr. Chairman, we shall be very shortsighted, indeed, if we overlook our splendid export trade to Canada. We sell more manufactured stuff to Canada than to any other foreign country. It must be an injurious factor in securing Canadian business for the Canadians to find it necessary to pay in settlement for American goods \$111 for every \$100 money draft sent to our country, which they have been doing for a year or so past. It goes without saying that the reduction of our imports from Canada acts as a factor to increase the disparity in the money exchange rates between the two countries. We ought to take into account that shutting out \$60,000,000 worth of lumber from Canada will be still further aggravating the money exchange situation and making it still more difficult for our manufacturers to export their products to Canada. If the lumber manufacturers were hard pressed by reason of foreign competition and in a critical condition, it might not be fair to ask them to

suffer for the benefit of exporters generally throughout the United States. Fortunately no such condition has arisen in connection with the lumber industry, and it seems to me that we ought not under the circumstances to endanger our entire trade with Canada by the imposition of a foolish, indefensible duty upon lumber.

Here are some statements which I shall ask to have printed in the RECORD showing the great volume and the character of our trade with Canada.

*Statement showing the relative importance of Canada's patronage to the United States—The value of imports, by years, into Canada and the increase in purchases from the United States, both in quantity and in proportion to the total imports.*

Year.	Total value all imports.	Value imports from United States.	Per cent United States imports.
1873.....	\$127,514,591	\$47,735,678	37.1
1883.....	123,137,019	56,032,333	45.5
1893.....	121,705,030	58,221,976	47.8
1903.....	233,790,516	137,603,195	58.8
1909.....	298,205,957	180,020,550	60.0
1913.....	675,517,045	441,141,562	65.3
1914.....	653,692,449	410,785,091	64.8
1915.....	587,439,304	428,616,927	72.9
1916.....	542,077,361	398,693,720	73.5
1917.....	\$73,437,426	677,631,615	77.5
1918.....	962,545,740	791,905,125	82.3
1919.....	916,429,335	746,920,654	81.5
1920.....	1,064,528,123	801,109,703	75.3

Authority: Canadian Department of Customs.

*Statement showing the total imports into Canada for 1920, item for item, and the proportion imported from the United States.*

[Canada's total imports for 1920 in the following items and the United States proportion.]

	Total Canadian imports.	United States proportion.	Per cent.
Automobiles, bicycles, tricycles, and parts, etc.....	\$28,590,923	\$28,491,057	98.65
Automobile engines.....	8,402,351	8,402,351	100.00
Locomotives and parts, and boilers.....	1,108,750	1,035,181	93.43
Railroad cars and parts.....	3,306,997	3,295,895	99.69
Engines—gas, steam, and gasoline.....	3,464,774	3,415,131	98.53
Iron ore.....	4,601,716	4,093,839	88.95
Manufactured iron and steel products.....	57,010,487	55,329,533	97.05
Typewriters, adding machines, carpet sweepers, cash registers, and printing presses.....	3,420,333	3,216,622	94.05
Sewing and washing machines and parts.....	1,578,958	1,492,361	94.57
Farm machinery and implements.....	14,615,206	14,529,878	99.42
Barbed wire fence.....	2,056,092	2,056,092	100.00
Photographs and records.....	3,197,058	3,161,218	98.83
Boots and shoes.....	2,711,622	2,611,964	96.33
Furs, hides, skins, and leather, raw and manufactured.....	49,923,261	36,746,843	73.61
Cotton, silk, and woolen clothing.....	12,257,161	9,364,705	78.61
Furniture.....	1,461,411	1,343,984	91.97
Barrels.....	355,215	352,127	99.13
Coffins.....	116,290	116,290	100.00
Newspapers and magazines.....	2,420,576	2,378,283	98.25
Pork, mutton, and beef products.....	20,168,456	19,809,502	98.23

Authority: The above figures were compiled from the report of the department of customs and inland revenue of the Dominion of Canada for the fiscal year ending March 31, 1920. They show how large a proportion of goods bought by Canada from all the countries of the world are furnished by the United States. The 20 groups of articles listed above, picked at random as samples, demonstrate that in highly manufactured goods the United States supply 100 per cent, or nearly so.

Mr. Chairman, it is to be sincerely hoped that no Member will feel impelled to vote for a duty on lumber by reason of party regularity. Such a duty would be a monstrous mistake from the standpoint of the public welfare, and for that reason it would seem to be a blunder from the party standpoint which good Republicans should resist. Upon the subject of party regularity an editorial in the Chicago Tribune is in point, which I ask to have printed in the RECORD:

#### WHAT IS A "PROTECTIVE" TARIFF?

[From the Chicago Tribune, June 18, 1921.]

The assertion of Representative YOUNG, of North Dakota, a Republican member of the Ways and Means Committee, that many of the proposed rates in the permanent tariff schedule are too high ought not to subject him to a charge of party irregularity. Charges that his views indicate development of insurgency in the Republican ranks in Congress are ill founded.

The tariff question to-day is not what it was at the time of the adoption of the Payne-Aldrich bill, nor in the time of any previous administration since Washington. What were once clearly defined Republican policies are now affected by completely altered conditions of international trade, and by the change in the position of the United States from that of a debtor Nation to the world's chief creditor it is possible that new or slightly altered policies may be in process of formation. Until policies are revealed in the completed bill no comment or suggestion can properly be construed as irregular.



Mr. YOUNG and the entire Minnesota Republican delegation, for instance, are prepared to line up against the bill unless lumber is left on the free list. We believe that lumber ought to be left on the free list. Our own forests are so depleted and our own prices so high that all building and most lines of manufacture are handicapped. All building and most manufactures which use lumber either in their product or in shipping will be assisted by keeping it on the free list in order that we may buy from the vast supply available across our northern border. Such an arrangement is for the good of the vast majority. Certainly to advocate such a good is not against Republican principles.

Economically, we have vast interests in common with Canada. The incident of a political boundary line ought not to work to the disadvantage of those interests and to the loss of millions of people. We also have economic interests of a somewhat different kind, but of no less volume in common with other countries throughout the world. They have changed with the war to something new and puzzling. It is a task for the framers of our new tariff to protect the interests of international trade as well as to protect home industries. Without foreign markets our business and industry can not survive. We can not afford to kill such markets by barring out all their products.

It is essential to American industry and prosperity that skilled workmanship, efficient management, improved machinery, the best possible use of natural resources, and properly applied energy in every endeavor be used for its protection. If we produce at lower cost per unit of labor than foreign countries can produce, we can compete in all markets without lowering wages or standard of living. A tariff consistent with all sound Republican principles can be formulated with that idea in mind.

Mr. WINGO. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. BLACK].

Mr. BLACK. Mr. Chairman, I am in favor of the pending bill because I believe it will act as a corrective of a very difficult situation and will do it in a way which is based on sound governmental policy. Of course, we all understand that the farm loan act which created the farm loan banks and the Farm Loan Board meant that the system should function, and, as the Secretary of the Treasury, Mr. Mellon, stated before our committee, if there ever was a time in the history of the country when it is necessary that the system should function that time is now. And I believe that no one will dissent from that point of view. Now, what do we mean, what do we have in mind, when we say that it is necessary for the system to function? We do not mean that the system is performing what we intended it should perform when it goes out and sells \$40,000,000 worth of farm loan bonds and then has to suspend operation until it can provide means to float another bond issue. What was contemplated is that the system function continuously; that is to say, that it be able to make loans to the extent that the security market will absorb the farm loan bonds.

Now, the chief difficulty in the way has been this: The capital stock of the system was originally fixed too low to give it a working capital necessary to enable it to operate continuously.

The Secretary of the Treasury emphasized that fact in his testimony, and bases his recommendation for this authority to deposit upon that ground. Members of the House will, of course, recall that there are 12 of the Federal farm loan banks, each with a capital of \$750,000 to start out with, making \$9,000,000 in all. That is all the working capital the system had to start with. That capital stock has been increased as loans have been made, to the extent of 5 per cent on each loan. The system now has a capital stock of about \$24,000,000, but this amount is still inadequate to provide sufficient working capital.

The Federal Farm Loan Board says that it can not profitably or wisely market less than \$40,000,000 of these bonds at one time. So the board has in view the plan of marketing \$40,000,000 or \$50,000,000 at a time, and this not more frequently than about every three months. So in order that it may do this it is necessary that some authority be vested in the Secretary of the Treasury to deposit out of the public funds a sufficient amount to enable the farm loan banks to make loans and take mortgages until they have the \$40,000,000 mortgages on hand; then these will be used as a basis for the bond issue. The bonds will be sold, and the proceeds will be used, first, to the extent that it is necessary to reimburse the Treasury for the funds it has advanced, and, second, the remainder will be used in making new loans until it is exhausted. The Secretary, when available funds are again exhausted, will make a new deposit, and thereby we will get a continuous operation of the system without the Treasury really having made any investment in the bonds.

Then the question comes up, and the only question about which there seems to be a controversy, so far as I know, is whether or not it is necessary to have the full \$50,000,000 provided in the original Senate bill, or whether the provision of the present bill will be adequate, which limits the authority of the Secretary in this deposit to the difference between the capital stock of the banks and the sum of \$50,000,000. If the House provision is adopted, it would enable the Secretary of the Treasury to deposit, all told, about \$31,000,000, because under section 32 of the original farm loan act he now has authority to deposit

\$6,000,000, and this would give him the authority to deposit about \$25,000,000 more.

Mr. WILSON. Mr. Chairman, will the gentleman yield there?

Mr. BLACK. Yes.

Mr. WILSON. What amount did the Secretary of the Treasury recommend, \$25,000,000 or \$50,000,000?

Mr. BLACK. The Secretary, when he was before our committee, said it would be acceptable to him to have the authority to deposit the \$50,000,000, as originally provided in the Senate bill. But in making that recommendation Mr. Mellon stated that he based it upon the estimate of the Farm Loan Board, to the effect that such an amount would be needed to insure the continuous operation of the system. Since then the Farm Loan Board has given as its judgment that the amount authorized in this House amendment to the Senate bill will be sufficient. Not sufficient in the sense that it will enable the board to take care of all applications for loans, but in the sense that it will enable the system to operate continuously. The chairman of the Federal Farm Loan Board, Mr. Lobdell, stated that it was the opinion of the board, based upon judgment and experience, that the American market will not absorb more than \$200,000,000 in farm loan bonds in any one year under present conditions. That brings me to a point which I want to discuss briefly. I can not agree—and I do not state this in order to raise a controversy with my colleague from South Carolina [Mr. STEVENSON]—that it would be wise to direct the Secretary of the Treasury to deposit \$100,000,000; that is, I do not believe it would be wise to give him such authority, if I believed he would exercise the power to so deposit, and I will tell you why. We are not doing now in this bill what we did during the war, to wit, authorizing the Secretary of the Treasury to buy these bonds. We authorized the Secretary to make direct purchases of the bonds during the war, and the Treasury now holds about \$183,000,000 of them. I think these bonds are perfectly safe, and that the Government will not lose one single dollar, but we are not authorizing a purchase now. We are saying, "Mr. Secretary, you deposit this money at such times as the system needs it for operation, and when the bonds are sold the Farm Loan Board will pay you back."

Now, if we should adopt the suggestion of the gentleman from South Carolina and authorize the Secretary to deposit as much as \$100,000,000 and he should exercise the power and deposit that much, the result would be something like this: The farm loan banks would go ahead and make loans to the extent of \$100,000,000 out of that money. Then when the Secretary, in the exercise of his discretion, should request that the bonds be sold and the Treasury reimbursed the Farm Loan Board would be confronted with the very real danger of being unable to sell the bonds at par, because of too great an offering at one time. I consider it most unwise that the board should make any effort to push upon the market more bonds than the investing public will absorb. I may say also at this point that I have the utmost confidence in the good judgment of the present Farm Loan Board, and I do not believe there is danger of their overcrowding the market.

What would be the result if a policy should be adopted of crowding these bonds upon the market faster than the investing public could absorb them? It would mean just what happened when we got more Liberty bonds on the market than the investment funds of the public could absorb; it would mean that the bonds would go down to 95, or 94, or 90, and when that should happen the system would come to a standstill. New bonds could not be marketed at par when those of prior issues were selling at much below par. So if a situation like that should arise, we would have to do either one of two things: Either pass a law directing the Secretary of the Treasury to again become the purchaser of the bonds, or else raise the rate of interest high enough to where the public would again buy them at par.

So I again repeat that I think it is a wise thing for the Farm Loan Board to endeavor to market these securities only to the extent that the public will absorb them, and I think the provisions of the House amendment will enable them to do that.

I do not profess any greater friendship for the farm loan system than other gentlemen of the House who hold opposite views to mine, but I do contend, with becoming modesty, I hope, that none of these gentlemen are more anxious that the system function with complete success than I.

In voting for the House provision I believe that I am taking the course which is best for the success of the system. Therefore I shall not hesitate to vote the way I believe.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. MCFADDEN. Mr. Chairman, the subject that I am going to discuss here is a collateral issue to this proposition.

Mr. HARDY of Texas. Before the gentleman begins that, will he yield to me so that I may ask him a question suggested by the last speaker?

Mr. McFADDEN. Yes.

Mr. HARDY of Texas. If \$40,000,000 worth of bonds or \$50,000,000 worth are put on the market and they are sold and the farm-loan bank is required to pay the proceeds back into the Treasury, to pay off the loan on the Treasury as made, will not that put the farm-loan bank at the end of three months in the same position that it is now in, with no cash on hand?

Mr. McFADDEN. No; because they have the \$25,000,000 of working capital, and have the right under this law to go back to the Treasury and ask for additional amounts each month or as they accumulate mortgages.

Mr. HARDY of Texas. As I understand, they pay it back and borrow it again?

Mr. McFADDEN. Yes. They pay it back and borrow it again. The gentleman has the right idea.

Mr. STAFFORD. Before the gentleman goes on with the collateral matter that he has in mind, will he inform the committee what the Treasury contemplates doing with respect to the \$200,000,000 of farm-loan bonds that the Government purchased during the war as an aid to the Federal farm loan banks?

Mr. McFADDEN. I can not speak for the Secretary of the Treasury, but I think that matter was referred to in the hearings. My recollection is that the Secretary said that at an opportune time, if the market permitted, he would dispose of those bonds. But that is a matter for him to determine.

I will say to the gentleman that the future disposition of those bonds is at the discretion of the Secretary, and I have no doubt he will use good judgment in determining the matter.

In view of the fact that it has been indicated that the tariff bill will be, at a very early date, presented to the House for consideration, by the Committee on Ways and Means, which will permit this important committee to take up the consideration of the revenue measure, I deem this a most opportune time to direct the attention, not only of the Committee on Ways and Means, having in charge the framing of revenue legislation, but the whole House to House joint resolution 102, introduced by myself, proposing to amend the Constitution of the United States for the purpose of terminating the evil of tax exemption.

This resolution is quite similar to the amendment which I introduced in December, 1920.

The introduction of this constitutional amendment is in accord with the recommendation which Secretary of the Treasury Mellon makes to Congress in his letter to Chairman FORDNEY, of the Committee on Ways and Means, in which he calls attention to facts which demand the close scrutiny of Congress in regard to the restriction of future issues of tax-exempt securities, and also makes a definite announcement that it is the present policy of the Treasury not to issue its own obligations free from tax, calling attention to the fact that States and municipalities are continuing to issue securities in large volume, and that such States and municipalities are finding a ready sale for them under present conditions. Secretary Mellon states that continuing tax exemption constitutes an economic evil of the first magnitude.

Exemption from taxation of the income from securities has been arraigned at the bar of public opinion and has few advocates to defend it. It has been for many years an offender against economic law, social justice, and the American spirit of fair play. Public taxing officials and students of taxation throughout the country have protested against the creation of securities into which the rich can put their wealth and hold it immune from taxation, thus exempting themselves from their just and equitable share of the burdens of taxation.

Mr. STAFFORD. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. STAFFORD. Are we not doing that very thing when we come to the aid of the Federal Farm Loan Board in this proposal to enable the rich to invest in these farm-loan bonds, which are exempt from taxation?

Mr. McFADDEN. Yes. This is a class of securities that is exempted.

Mr. STEVENSON. Was it not stated in the hearing before our committee that there were municipal bonds outstanding, tax free, amounting to \$16,000,000,000, most of which were for the benefit of city dwellers, so that there is very little, comparatively, for the local benefit of country communities?

Mr. STAFFORD. Then I will say to the gentleman that the counties are not doing their duty to their local constituencies. They should be more alert to take care of their local improvements.

Mr. McFADDEN. I will treat with that a little further on.

Obviously that part of the burden which the wealthy owner of tax-exempt securities thus escapes must be borne by others. These others are those whose income does not come from investments of accumulated wealth, but from their daily wage and the profits on their business. Thus these tax-exempt securities furnish the machinery for transferring the great and increasing load of Federal, State, and local taxation from the shoulders of the wealthy—those best able to bear the brunt of the burden—to the shoulders of the "man in the street," the workers and doers of the country, whose enterprise and industry are thus penalized in favor of those who prefer to put their wealth into tax-free investments rather than to put it to work for the upbuilding of the country.

I have said that tax exemption is an evil of long standing. It is, but it has forced itself on public attention only in the last three or four years. In this brief space of time we have seen the personal wealth of the country so rapidly segregated into the tax-free class that whereas the taxable income of individual taxpayers under the Federal income tax law was \$992,972,985 in 1916, the amount decreased to \$731,372,053 in 1917 and to \$392,247,329 in 1918. It is not to be supposed that the actual income of these taxpayers had thus decreased. It is a safe conclusion, on the contrary, that they had converted their wealth into tax-free securities so rapidly that at the same rate of conversion they would be "scot free" of all income tax by 1922. Indeed, if we accept an estimate that there are already issued and outstanding over \$10,000,000,000 of securities totally exempt, we confront the outrageous possibility that all incomes exceeding \$100,000 per annum from investments may be rendered totally immune from taxation. A more un-American condition of things can hardly be imagined. It is small wonder that the protest against any further issuance of tax-exempt securities is general and vehement, and coming from all parts of the country. Organizations of farmers, business men, bankers, tax experts, and officials have by resolution and otherwise emphasized this protest. Every group and interest in the Nation has been heard from with practically no dissenting voice, and the number is growing daily. There is no mistaking the predominant feeling that the income from all new issues of securities should be taxed, wherever held, and that not only the Federal Government, but State and local governments, should be placed in position to tax fairly and equitably the income from all securities.

#### CONSTITUTIONAL AMENDMENT REQUIRED.

Unfortunately the remedy sought can not be had by immediately effective legislation. A great volume of new tax-exempt bonds is being issued by the States, counties, municipalities, and other political subdivisions of the country, and recent judicial opinions are to the effect that the income from such bonds can not be taxed by the Federal Government under the Federal Constitution as at present construed. While these bonds are thus barred from Federal tax, it is not strange, whatever the merits of their contention, that the beneficiaries of bonds rendered tax exempt by act of Congress should protest against the removal by legislation of their present privileges. On the other hand, their spokesmen have publicly stated that they were opposed in principle to tax exemption and would make no objection to the withdrawal of the privilege from their securities if all securities were rendered taxable.

Carried to a logical conclusion, this attitude, assumed by other groups who are asking for tax exemption by congressional action, would mean that we are facing the dilemma of either rendering all securities tax exempt or of taking "the bull by the horns" and calling for an amendment to the Constitution which will render all securities taxable. It is this latter solution that I propose in urging for passage House joint resolution 102.

#### STATE BENEFITS.

The passage of this resolution and the amendment which it proposes has been indorsed by the leading tax experts and practical tax officials of the country. Very little objection has been urged and that chiefly on the ground of State sovereignty. But this objection will be seen to have little weight when we realize the reciprocal advantages that would accrue to the States and local governments if they were enabled by this action as proposed to tax the income from Federal securities held by their citizens. At the present time the wealthiest citizens of every community are rendering themselves free of State, county, and municipal taxation on their personal wealth by investing in securities like the Federal farm-loan bonds and Government bonds, which are rendered immune from taxation by Federal legislation, and over which these States and local governments can have no control unless they accept the principle of the proposed amendment.



Mr. HARDY of Texas. Does the gentleman intend to discuss the moral aspects of a law now changing the nature of those bonds after they have been issued and sold?

Mr. McFADDEN. Any amendment that I may suggest here can not be retroactive, and a little further on I think I shall cover more particularly the point which the gentleman has in mind.

Mr. KING. Will it disturb the gentleman to yield?

Mr. McFADDEN. I yield to the gentleman from Illinois.

Mr. KING. How would the gentleman control the situation with reference to the issue of foreign bonds sold in this country? Could they not be made tax exempt by the countries issuing them or the institutions in foreign countries issuing them? And would not that as a matter of fact aid the sale of all foreign securities in this country?

Mr. McFADDEN. It would have a serious effect on the sale of their securities. Now to proceed. And so it is that this amendment would be fully as much to the advantage of the State and local governments as to the Federal Government, for its advantages are reciprocal and its effect uniformly beneficial.

Now to proceed. And so it is that this amendment would be fully as much to the advantage of the State and local governments as to the Federal Government, for its advantages are reciprocal and its effect uniformly beneficial.

That this is recognized by the farsighted taxing officials of New York State is evidenced by their action at the tenth annual State tax conference held in Albany, March 2 and 3, in passing a resolution indorsing the passage of such an amendment in the following words:

We indorse the movement to obtain amendment of the United States Constitution in order to empower Congress to tax incomes from whatever source derived, such amendment probably being necessary in view of the amount of judicial dicta to that effect.

#### TOTAL VOLUME OF TAX EXEMPTS.

Mr. Otto H. Kahn estimated the amount of tax-exempt bonds which had been issued as of January, 1921, at a total of \$14,425,000,000, made up of the following items:

#### Estimated amount of tax-exempt bonds in round figures.

1. Debts of States, cities, school districts, and other political subdivisions	\$7,000,000,000
2. United States interest-bearing debt, issued prior to 1917	875,000,000
3. Debt, District of Columbia and United States possessions	50,000,000
4. Liberty 3½ per cent and Victory 3½ per cent bonds (Victory bonds were issued as either 4½ per cent taxable or 3½ per cent tax-exempt bonds, the holders of the former having the unrestricted right to convert into the latter and vice versa)	5,400,000,000
5. Sundries, such as city and State revenue warrants issued and adroit and Federal farm loan bank bonds	600,000,000
6. Bonds of the second, third, and fourth Liberty loan issues, although generally taxable, are entirely tax exempt up to certain limited amounts in the hands of holders. This absolute tax exemption applies to amounts which may be as high as \$130,000 bonds in the hands of any one holder. It is safe to figure that this aggregates an actual tax exemption of not less than	500,000,000
	14,425,000,000

#### BORROWERS' ADVANTAGES OVERESTIMATED.

Such opposition as there may be to the elimination of tax exemption arises, for the most part, from an exaggerated idea of its advantages to the borrower. With the bonds of the States and largest cities selling to yield the investor 5 to 6 per cent and of the towns and the counties to yield over 6 per cent, it is obvious that the saving in interest paid by the borrowing community is at most not over one-half of 1 per cent, and rarely that. To deny this is to regard the credit of the largest cities as inferior to that of the railways and large industrial corporations, whose underlying securities are selling to yield from 5½ to 6½ per cent and are fully taxable. The actual fact is that tax exemption has not so much the effect of broadening the market for and reducing the interest paid on tax-exempt securities as it has of segregating tax-exempt securities in the hands of the wealthy individual investor and of segregating taxable securities in the hands of nontaxpaying institutional investors and small individual holders who can not get any great advantage from tax exemption. In other words, tax exemption does not build up a larger market for securities or make for a lower rate, for the investment fund remains the same. Tax exemption simply tends to divide the investing public into two classes, one class being the wealthy individuals who buy tax-exempt bonds, and the other class being those to whom tax exemption means little or nothing, and who therefore buy taxable bonds.

#### HEAVY LOSS IN TAX REVENUE.

Offset against this trifling advantage to the borrower from tax exemption, moreover, there is a tremendous loss in taxes to this same borrower, whether the borrower be the Federal Government, a State, city, or county, or even a private citizen, for all such loss when tax revenue is lost and the tax burden shifted. And the loss in tax revenue by the issuance of tax-free securities is appalling.

To illustrate, it is stated that more than \$1,000,000,000 of State and municipal tax-free securities were issued in 1920. If these securities have passed into the hands of the very wealthy, whose present Federal income tax is at the rate of 73 per cent, the total annual loss in this one form of tax alone is over \$35,000,000, if the interest rate on these bonds averaged the low rate of 5 per cent. Granted that there may have been an apparent saving to the borrowers of one-half of 1 per cent per annum, this saving of a billion dollars of 5 per cent bonds is only \$250,000 a year, or 0.711 per cent of the annual loss in taxes. Still worse, if the average term of these bonds is only 20 years and they continue to be held by these wealthy individuals and the rates of taxation are not reduced, the loss in Federal income tax alone would in that period be over \$700,000,000, against a total saving in interest of only \$5,000,000.

Mr. STEVENSON. Will the gentleman yield?

Mr. McFADDEN. I will.

Mr. STEVENSON. I see it stated in the public press that it is the program of the Ways and Means Committee to reduce the surtaxes, and thereby cut down very materially the income taxes to be paid by these very rich people, people of very large incomes. About how would that affect this question?

Mr. McFADDEN. It would affect to some extent the question of tax exemption.

Mr. STEVENSON. Does the gentleman know whether that is contemplated or not?

Mr. McFADDEN. Not being a member of that important committee, I can not say. It is evident that even if the bonds are held by investors, paying less than the maximum surtaxes, and even if the surtaxes be substantially reduced, no such reduction would overcome this preposterous discrepancy, which should be sufficient in itself to show the absurdity of the argument that there is any "advantage" in tax exemption which the State and local governments are called upon to give up under the proposed amendment.

On the other hand, in addition to this loss to the community at large, through the loss of Federal revenue, the States and local governments are losing heavily through their inability to tax their own citizens who hold tax-exempt Federal obligations, the potential volume of which under the Federal farm loan act alone may well run into several billions of dollars. The aggregate of tax-exempt Federal "instrumentality" securities, made possible under the recent decision of the Supreme Court in the Farm Loan case, has been estimated by one statistician at enough billions to absorb the entire taxable investment fund of the country. Obviously, since these Federal "instrumentality" securities are exempt from all State, county, city, and local taxation, they will be in greater demand than State, county, and municipal bonds, and will have the twofold effect of supplanting the latter in the market and of depriving the States and local governments of all power to tax the investment holdings of their citizens.

It must be self-evident that it will be to the very great advantage of the States, therefore, to take advantage of the opportunity which this amendment will afford to forever put an end to this menace to their sovereignty and financial solvency.

#### INDUSTRIAL AND BUILDING PROGRESS RETARDED.

The arguments I have voiced against tax exemption would seem to be enough to condemn it, but even so I have omitted many counts in the indictment.

It is a matter of common knowledge that the diversion of the funds of wealthy estates and individuals from real estate mortgages to tax-exempt bonds has seriously handicapped the entire building program and industry of the country. The resulting situation is acute, especially in housing—largely because of tax exemption.

The railways and public utilities, accustomed to look to the wealthy investor for leadership in meeting their needs for funds, have had to go afield and establish new channels, not yet adequate to their needs.

Above all things, in this time of reconstruction and recovery from the warping effect of war, we need the influence of new enterprise and the initiative of the Nation's men of means and proved business capacity. But what is there in the way of new business enterprise that can tempt a wealthy investor when he

can get as much net return from a 5 per cent tax-exempt bond as from a taxable investment paying over 17 per cent? The springs of recuperative effort in the country are dried up by such a situation, but we can not remedy it by eliminating all graduated levies under the income tax. We can remedy it only by removing the tax-exempt bond from the market, putting all investments on an equal plane, thus tempting the wealthy and able business men of the country to put their capital to the best and most productive use.

#### GOVERNMENT WAR BONDS DEPRESSED.

Another charge against tax exemption is by itself, it seems to me, more than enough to eliminate it from our fiscal policies. The depreciation in the market of the great war issues of Liberty and Victory bonds, with losses to the millions of patriotic citizens who subscribed for them running as high as 15 per cent of the principal invested, where the bonds are liquidated, can not be contemplated with anything but shame and dismay, and it outrages all sense of justice and fair play for the Federal Government and the States and cities to sponsor issues of totally tax-free securities in competition with these Liberty bonds, thus contributing to their depression in the market and adding insult to injury to the people of the country.

#### PROPERTY CONFISCATION.

The power to tax is limited only by the power to confiscate property. Both the interest and principal of the large volumes of bonds which have been issued free from income taxation must be paid from tax revenue, a large share of which will have to be derived from a property tax. As the bond burden increases so will the property-tax burden increase, until the productive capacity of the property to sustain the tax has been reached, when the owner will be forced to forfeit the property to the political unit or units imposing the tax. The tax-exempt securities issued by the Government, State, or other political subdivision, because of the ease in obtaining funds, encourages public debt, public extravagance, and inefficiency in the expenditure of the funds so raised.

#### IMPAIRMENT OF NATIONAL AND STATE CREDIT.

As the indebtedness of State, county, city, or other political subdivision of the State, either separately or in the aggregate, approaches the point of tax confiscation the credit position of the State becomes greatly impaired through the curtailment of earned revenue and arrested development of revenue-producing resources. Normally the credit position of the Government is superior to that of the State and the State to that of the city. The financial stability of the Nation depends upon the maintenance of this normal relation. I hold that the impairment of the credit position of a city, county, or other political subdivision impairs the credit position of the State of which they are organic parts and that the credit position of a State can not become impaired without also impairing the credit position of the Nation.

The State has no power to limit municipalities and counties in the creation of debt, and consequently the tax burden incidental thereto is unlimited. To amend the constitution offers the only solution to the States in protecting their credit from the evils of tax-exempt securities. The Government in turn has no power to limit the States in the creation of debts, and consequently the tax burden incidental thereto is unlimited. This amendment, providing for the reciprocal taxation of Government, State, and municipal securities, offers the only means of protecting the Government's credit position, as well as that of all other political subdivisions, from the hardships of tax exemption.

From this analysis the deduction follows that the issuance of tax-exempt securities by the Government and political subdivisions thereof is rapidly tending toward property confiscation and the impairment of the Nation's credit and violates thereby the principles of the Constitution, designed primarily to protect property rights and insure the credit stability of the Nation. The framers of the Constitution could not have anticipated this condition which now so seriously menaces the financial security and industrial prosperity of the Nation no less than that of each of the States. [Applause.]

Will the gentleman from Arkansas use some of his time?

Mr. WINGO. The gentleman promised to yield some time to the gentleman from Louisiana [Mr. LAZARO], did he not?

Mr. McFADDEN. Yes. I now yield 10 minutes to the gentleman from Louisiana.

Mr. WINGO. And I yield five minutes to the gentleman from Louisiana.

The CHAIRMAN. The gentleman from Louisiana [Mr. LAZARO] is recognized for 15 minutes.

Mr. LAZARO. Mr. Chairman, I want to speak to-day on what I consider the most vital problem confronting not only the American people but the world—agriculture.

The American farmer produced his last crops under the most expensive conditions and at the greatest cost, but has been obliged to dispose of them at deflated prices and has sustained to date a loss of about \$7,000,000,000.

It was the sudden drop in the price of agricultural products below the cost of production that started the paralysis in business, and until we again place agriculture on a normal foundation employment and prosperity will not come back. I propose to discuss during my time some of the factors that we must consider in connection with this important problem.

Mr. Chairman, it is indeed strange that in a country like ours, which is fundamentally agricultural, that there should be so much misunderstanding between Representatives on this floor. For instance, a few weeks ago, during the debate on the farmers' emergency tariff bill, when Members representing agricultural sections were asking for protection for agricultural products in proportion to the protection accorded to manufactured products, we were charged by Mr. WALSH, of Massachusetts, with being sectional and with advocating class legislation. He said that he for one did not propose to stand for it, when 40 factories were idle in the district which he represents.

Mr. REAVIS, of Nebraska, reminded him of the fact that his factories were idle and his people unemployed because the agricultural products of the farmers were selling below the cost of production and their purchasing power was destroyed.

It was very evident during that debate that party lines were not as rigid as they used to be. For instance, we saw able Democratic leaders standing upon this floor asking for the same protection in proportion for agricultural products as that given to manufactured products. We saw old Republican protectionists, like Mr. LUCE, of Massachusetts, oppose protection for agricultural products. That was not strange, because for years those belonging to his school were taught that protection was for manufactured products only. And we of the South permitted our products to go on the free list, with the result that we sold what we produced on a free market and bought what we needed on a protected market. This is not strange, either, when we take into consideration the fact that the manufacturers have been organized in the past, while the farmers were not organized.

During the hearings on the tariff bill we had a remarkable exhibition: A soap manufacturer appeared before the committee to oppose a tariff on oil and advocate a tariff on soap. When pressed by the committee he admitted that he wanted to buy foreign oil cheap to make soap to sell in America. Some one remarked, jokingly, that if he got his just dues his soap would be placed on the free list and oil on the protected list.

I mention these cases merely to show how unfair it is to consider such big questions in a sectional way, and how necessary it is for us to understand one another if we are to solve such questions in the right way.

The last war has demonstrated to all the necessity of our country having its own vital industries at home and of not depending on foreign countries in time of emergency. For instance, our cotton producers of the South lost millions of dollars in the beginning of the war because we had no merchant marine of our own to carry our surplus cotton to the markets of the world.

The last war has also demonstrated another fact, and that is that the tariff can no longer be considered a partisan question. It is an economic question.

When we go to the customhouse to collect a tariff, it makes no difference whether we do so under a tariff for protection or a tariff for revenue, the fact remains that it is an advantage to the American over his foreign competitor, and these advantages, or tariffs, should be given to agricultural products in proportion as they are given to the manufactured products. This Nation can not prosper as a whole and permanently half protected and half free. Our farmers can no longer compete with those of foreign countries—for instance, in Asia, where they wear very little clothing and live on practically nothing—without sinking to their level or go broke.

And, gentlemen of the House, our farmers are wide-awake to this situation. To prove that they realize what they are up against, I want to quote a statement from the National Grange Monthly of this month:

During the war the shortage in the world supply of animal fats caused a tremendous demand for vegetable fats, not only in other countries actually at war but in the United States, which was supplying those countries with a large part of their food products. One of the future effects of the war which seriously concerns farmers of the United States, especially those engaged in the production of cotton, peanuts, and other oil-producing cereals and the dairy and swine industry, which are the chief producers of animal fats, is the accumulation of large imports of cheap vegetable oils. This matter is one of recent development, and has never been sufficiently important to require careful attention in the tariff. But it now has reached proportions which seriously alarm all of these American interests. A reaction



of this is found in the emergency tariff bill. This schedule was hastily prepared, and an investigation seems to indicate that these figures are not sufficiently high to give the necessary protection to either producers of cottonseed oil or peanut oil.

I have heard some say that the cotton growers get no protection from a tariff. Aside from the protection he gets on long staple in the emergency tariff bill, every cotton grower who sells a bale of short-staple cotton weighing 500 pounds has 1,000 pounds of cotton seed to sell; and certainly protection of cottonseed oil against vegetable oil from Asia means a higher price for his cotton seed.

President Monroe, whose name has been mentioned so often lately in connection with the Monroe doctrine, said:

Our manufactures require the systematic and fostering care of the Government. Equally important is it to provide for our raw material.

Then, too, when we were considering the rural credit bill, with the view of encouraging our people to own their homes, we heard some of the eastern bankers predict that such legislation as that would ruin the country. Again, recently when we were advocating legislation for good roads we heard representatives say that we were asking too much money from the Government; that they were in favor of economy when we know that there can be no economy when this important link of transportation is not cared for.

I repeat, I mention those well-known instances to remind Members that these wide differences of opinion indicate a misunderstanding between representatives of the different sections of our country.

I do not believe that this feeling should continue to exist in the consideration of measures which are absolutely national in character. The farmers are not asking for unreasonable legislation. A man who runs a farm is a capitalist, an employer, a laborer, a producer, and a consumer. Farmers include all classes, and they have sympathetic ties with all classes, and they are naturally conservative. Every student of history knows that in every crisis, when there is unrest and danger of revolution in the big centers, it is to the country that we look for calm and safety. It is wrong for Representatives to stand upon this floor and charge us with advocating class legislation.

Agriculture is the foundation upon which all other industries are based. It produces the cotton and wool to clothe the world, the meat and bread to feed all the people. Going and coming, it provides the bulk of transportation. Farm production has been the chief factor in our foreign trade and for paying our debts abroad. Farmers are the buyers of a larger percentage of American manufactured goods than any other class. Gentlemen of the House, if there is any legislation which is national in character, which is for the benefit of the whole American people, without special preference or special aid or special benefit to any, it is that which promotes agricultural conditions.

George Washington, the Father of Our Country, impressed upon our people the necessity of developing agriculture as a foundation for our future development and prosperity.

President Harding, in an address delivered recently, said:

We will do well to keep in mind at this time the fundamental importance of agriculture, and in every possible way insure justice to it. We are confronted by the need to place our own house in order, and no more important feature of that effort can be envisioned than to place our agricultural industry on a sound basis and provide machinery and facilities for financing and distributing crops. If we do this, we merely will be providing the farmer with facilities similar to those enjoyed by the business communities generally.

Let me call your attention, especially you Members from the manufacturing centers and large cities of the country, to what happened in Europe following the World War. When Austria-Hungary was dismembered, the agricultural part was taken away from what is now Austria. In other words, that nation was left like a stomach without arms, head, or legs—a consumer unable to produce; a population that was wholly urban. Without agriculture their manufacturing industries ceased to operate; there was no commerce and no employment, and soon the representatives of that country, once great and prosperous, were compelled to go on bended knees to the Allies and admit that they could no longer maintain themselves as a country, and ask that they be taken charge of and governed from outside. In the Washington Post of June 20 there appeared a communication from Vienna, by Col. House, in which he stated that some 400,000 children in Austria were being fed by the American Relief Association.

The last census shows an increasing number of vacant farms with an increasing number of population in the large cities. And I say to you here and now that if this condition is not remedied in the near future, it will not be long before serious trouble will happen in the congested centers. We often hear Members advocate drastic laws to curb bolshevism, but, my friends, the surest protection against bolshevism is employment and production. Show me a man who is employed and

whose family has the comforts of home and I will show you a family who will not fall for the preaching of the bolshevist, the communist, or the anarchist. If it had not been for the wonderful progress made in developing labor-saving farming machinery, the farm problem would have been even more acute than it is to-day. Fully 50 per cent of all the immigrants entering this country during the past 10 years or more had been engaged in agricultural pursuits in their former home lands. But not 10 per cent of them settled on farms in the United States.

Now, let us consider for a moment what we are asking for. First, markets must be found for America's surplus products. The domestic demand will not suffice. We ask that America's vast money resources be properly placed. Deflation has been too severe and has gone too far in the agricultural regions of this country. There must be modifications of the restrictions which a year ago nearly put us out of business, so that money from the Federal reserve banks and the rural credit banks can be loaned more freely in the agricultural sections on longer terms and at a lower rate of interest. In other words, there must be a recognition of the difference between an agricultural paper and a commercial paper, because the agricultural paper is based upon a transaction which requires more time than the ordinary commercial paper. Then, too, the Government must work in harmony with the international bankers with the view of encouraging the corporations and agencies formed to foster the export trade of the United States. These foreign export concerns, organized under the Edge law, have not been as successful as they should have been thus far, through want of sufficient capital.

Then, too, when foreigners come to America to borrow from our bankers they should be met with the suggestion that the money they borrow from the American people be spent in the United States. If they borrow American money with which to buy, they ought to buy from American producers instead of taking the American gold in their purses and going shopping elsewhere, as was done in the case of one foreign loan recently negotiated in this country, in which a part of the money was spent in Argentina for wheat. It was explained in that case that this money afterwards came back to the United States to pay for manufactured goods bought by South America. We want the benefit of American loans to be more direct to the producers and manufacturers of our country. I believe that if we would take a firm position on this proposition the foreign Governments would soon recognize the fairness of our view and be governed by it, because then they would find better cooperation on the part of our Government and the financial interests of the country. Why, the other day our attention was called to a case which I want to tell you of. The Panama Railway Co. advertised for 300,000 pounds of rice in New Orleans.

They wanted 150,000 pounds from Siam and 150,000 from China. Imagine this situation: There was the Government buying Asiatic rice in the heart of the rice section, where warehouses are filled with the very best rice produced in the world and selling for almost nothing. We immediately took the matter up with Mr. Hoover, who, in turn, took it up with the War Department, and we were assured that this practice would be stopped at once. We could not ask foreigners who borrow from us to spend their money here if we allow the Government to buy products abroad when they can be bought here from our people below the cost of production.

Our exports for the month of April, 1921, were \$339,914,987. For April, 1920, they amounted to \$684,319,392, or a loss for this one month of \$344,404,405, or more than 50 per cent. This can not go on indefinitely. With the domestic market stagnant and foreign trade losing ground so rapidly, it is obviously the duty of the Federal Government, in the interest of all the people, to use its influence to stimulate business and turn the tide in favor of the American people. The interests of no single class or section are involved here, but the interests of all the people.

I want to be well understood in this connection. I am not advocating that the Government make more loans to foreign Governments. On the contrary, I believe that those countries who owe us and who are increasing their navies and armies at this very time should be made to at least pay us the interest on what they owe us, which, I understand, amounts to a million dollars a day.

I believe that the War Finance Corporation, which we were compelled to revive under fire, should be made to function to its full capacity, with due regard, of course, to security.

Second. Another question of vital interest to our people at this time and which must be solved soon is the question of transportation.

A few days ago we had a delegation of representative farmers here before the Interstate Commerce Commission. These men

proved beyond doubt that some of our perishable products were rotting on the farm because shipments that had been made did not pay the cost of transportation. Pause and think of it. Here are consumers in the big centers paying exorbitant prices for products that are rotting on the farm because products will not pay the cost of transportation, let alone a profit to the people who produce them. Not only is it a loss to the producers and consumers, but it is a loss to the railroads.

But, my friends, let us be practical in the consideration of this vital question. Of course, we must have fair and competent Government regulations with economy, and we must demand an immediate reduction in freight rates; but at the same time let us understand that this would only give us temporary relief, and if we are to have permanent relief we must build up a comprehensive and efficient system of transportation. And we can not consider transportation in a comprehensive way without considering good roads and waterways in connection with railroads. And then, too, we must have our own merchant ships on the seaboard to carry our surplus products to foreign markets.

Under the policy of private interests that controlled railroads in the past there was built up a system of transportation which tended to move all the freight in one direction—to the few favored destinations. The system was like a huge bottle with a small neck, all of the lines converging to a narrow strip of coast line in the northeastern part of the country. Trunk lines were parallel to the northeast, because traffic was forced in that direction. Other outlets—river and rail—were largely neglected. The result of this policy was that when the pressing demand of war industry came there was a congestion and paralysis of transportation because our railroads were unable to deliver the goods through the neck of the bottle. Under a comprehensive system of transportation, including our good roads, waterways, and a merchant marine of our own, we could make use of more ports on our seaboard, which would not only give more efficient service but would lower our cost of transportation.

We are an exporting Nation. We send our surplus products to foreign markets, and when our wheat or cotton or rice reaches the foreign markets the prices are fixed on the other side by the competition which they meet there. Now, if we can lower the cost of transportation, it follows that our producers will get more for their products.

Transportation is a part of production and a charge upon it. We have not actually finished anything until we have placed it into the hands of the consumer.

No country on earth has been more favored by Providence with such a magnificent system of navigable waterways than ours, but we can not claim credit because of what nature has done for us. It is only in the manner in which we are conserving and developing our resources that we confer distinction upon our citizenship and fix our place among the nations. In Belgium and Holland the ocean is brought to their cities, and it is a well-known fact that those countries are world powers in commerce and manufacture.

In the strategy of trade our competitors have wisely acted upon the principle well known to physics, that it is easier to move a body floating in a liquid than to carry it on wheels. As an illustration of this statement I want to call your attention to a shipment of rice that is being made from my district at this time. The Lake Charles Rice Milling Co. is shipping 12,240 pockets of rice through the intercoastal canal by barges to Orange, Tex., to connect with a steamer sailing direct to Hamburg, Germany. Now, the rail rates from Lake Charles, La., to Orange, Tex., is 25½ cents per 100 pounds, whereas the barge rates by water is only 10 cents. It should be plain to any thinking man that if we are to sell rice in Germany in competition with foreign rice, we must make the efforts to reduce freight rates. And here is an example of what the waterways can do for a community. And then, too, this is a permanent relief.

Let us hope that the bill appropriating money for Federal aid in the building of good roads will pass before the end of this session. We must not consider the pleasure only that we get out of good roads, but we must think of the future of the motor truck in transportation. We well remember how the motor trucks from the farms saved New York during the last railroad strike there. I never appreciated the real value of good roads until I visited Europe. There is one lesson we should learn from France, especially in connection with good roads, and it is the importance of setting aside a fund for proper maintenance after we have built good roads.

Every time we ask for appropriations for the improvement of our waterways and good roads, we are invariably met with the cry of extravagance and we are told that we must practice

economy. It is false economy to refuse appropriations for such worthy improvements. What we should do, if we wish to practice real economy, is to see that the money which is appropriated for these projects, and other projects as well, is spent economically and where it is really needed. And the only way to practice such economy is to adopt a policy and follow it instead of appropriating in a piecemeal way.

Our terminal facilities must be improved too, because we will never have the full use of our waterways until provision is made for loading and unloading and storage.

Our marketing facilities must also be improved. Our whole system of wholesaling and retailing is inefficient and uneconomical. A recent investigation, conducted by the Government, showed these defects. I heard it said at a conference of farmers, merchants, and bankers in New York the other day that the producers of America receive about one-fourth of the price paid by the consumers as compared with that which the producers of Holland receive, due mainly to the difference between the systems of transportation, marketing, and distribution.

The farmers of this country are beginning to understand that organization and cooperation in a business way is necessary to bring about a betterment of these conditions. That is why we are asking that their organizations be authorized by Federal law and accountable to the Department of Agriculture. That is why, too, they asked for a committee to investigate agricultural conditions and report back to Congress.

The consumers as well as the producers should welcome the development of a marketing system, operated and controlled by the men who naturally produce the products. This may look like a dream to those who have become used to the speculating and gambling method of marketing that has been developed in this country, but it is not a dream. It is possible that brains, patience, and organization can bring to full success such a system. Until the gap standing between the producers and consumers of this country is crossed and the unfair middlemen are eliminated, there must, of necessity, remain misunderstanding and bad feeling between the people living in the big centers and the producers of the country. It is impossible for a consumer who lives in a big city and who has not the opportunity to go to a farm to understand the situation. He blames, of course, the farmer for the high cost of living, instead of co-operating with the farmer to eliminate the unfair and useless middleman. He does not know that the cooked apple for which he pays 20 cents only brings one-third of a cent to the apple grower; that the glass of milk that he pays 10 cents for only brings 1 cent to the farmer who raises and milks the cow; that the eggs which cost him 90 cents a dozen can be bought for 20 or 25 cents a dozen in the country. He is charged 75 cents for a mutton chop, when the statement was made on the floor of the House the other day that in the city of El Paso sheep had netted only 25 cents a head to the sheep raiser. He is charged \$10 for a pair of ordinary shoes, when the cattleman is unable to sell his hides at any price.

Gentlemen of the House, if these defects in our system of transportation, distribution, and marketing are not corrected, what will happen? The farmers will not farm and raise for pleasure; they will cut down production, and reduced production will certainly mean suffering and higher prices to the consumers in the end.

Let me quote from an Associated Press dispatch dated Chicago, June 19:

The number of cattle for each 100 persons in the United States is to-day one-third less than in 1900. The sheep supply is reduced nearly two-thirds; while the number of hogs is below 44 per cent less now than then, according to figures compiled from the Federal census reports by Herbert Myrick. The decline during recent months in prices to producers constitutes the gravest economical crime ever perpetrated on the farmers of America.

Another factor which is of vital importance to our farmers is storage facilities. I hope to see the day come when every part of the country will have its United States bonded warehouses. The warehouse law was passed in 1916, to establish a form of warehouse receipts for cotton, grain, wool, and tobacco, which will make these receipts easily and widely negotiable as delivery orders or as collateral for loans, and therefore a definite assistance in financing crops. Thus our agricultural products would be weighed and graded by licensed weighers and graders who would be neither buyers nor sellers and our products sampled but once. The statement of weight and grade is perhaps the most important feature to depositors of agricultural products. It gives the receipt the utmost value as collateral, because it furnishes the bankers with a basis for valuation. It also eliminates the loss from weather damage. We also save 25 per cent on fire insurance when our products are in bonded warehouses. It would eliminate the present practice of peddling our products and protect us from the gamblers.



I believe, too, that we should be more liberal with our agricultural institutions, so that more of our young men who intend to farm can learn the value of practical and scientific agriculture, so as to produce more economically, and understand better that farming does not end with production only, but with distribution and marketing. And that they may learn, also, the value of diversification, because diversification is absolutely necessary if the farmers are to operate on a cash basis.

In conclusion, gentlemen of the House, I want to appeal to the Members here who represent manufacturing districts to give this big question of agriculture more time and study and help us eliminate this wide gap now existing between the producers and the consumers, so that in the end we of the agricultural section can get a fair and living price for what we produce and you will pay a more reasonable price for what you consume. [Applause.]

Mr. McFADDEN. Will the gentleman from Alabama use some of his time?

Mr. STEAGALL. Mr. Chairman, I yield four minutes to the gentleman from Virginia [Mr. HARRISON].

Mr. HARRISON. Mr. Chairman, the bill before the House attempts to furnish to the agricultural interests of the country greater financial credit. There can be no question but that the agricultural interests of the country are in a state of depression entirely unjustified by conditions and more severe than ever before in the history of our country. I have the honor to represent one of the greatest agricultural sections of the State of Virginia, if not as great as any in the Union. The great counties in the Shenandoah Valley and some of the richest portions of Piedmont, Va., constitute the district, and from every source I receive but the one story of the financial depression in which the agricultural interests are now involved. The fertility of the soil, the sturdy, industrious character of the people, and reasonably fair seasons should have brought to the people of that section a rich reward for their labor. As a matter of fact, however, many losses have been entailed by falling prices, and instead of increased prosperity the farmers find themselves confronted with financial disaster. The more bountifully the earth has responded to cultivation the greater has been the losses inflicted. Nor is there proper correspondence between the prices on farm produce to the producer and the price of such produce to the consumer. In the great industrial centers the toilers in other lines of activity are still confronted with the high cost of living. The price to the farmer is below the cost of production and the price in the city is beyond the reach of the consumer. This is not the normal condition, and it is the duty of Congress to afford the necessary relief. There are several conditions which conspire to bring this result:

First. The farmer at a critical moment was denied the credit to which he was entitled, and which was so essential for the proper marketing of his crop.

For some unknown reason at the moment when an extension of credit was the most necessary the Federal reserve banks entered upon their system of deflation. This found the farmer involved in the expense of production without the means of properly financing the marketing of his crops. It became necessary for him to rush his produce to market and accept such prices as might then be offered. The result has been a great depreciation in the value of his farm products. Speculators have apparently obtained control of the market and the farmer has been made to suffer. The present bill is an effort to remedy this manifest injustice to the agricultural interests. It, however, is on a very meager scale. Much more extensive relief could be furnished by the Federal reserve banks expanding the currency to meet the proper demands of the agricultural interests. I hope at some future date to get before the House a measure along this line. The present bill is a step in the right direction. It does not give as large a credit as might be well given in this method. The original bill called for a deposit of \$50,000,000 with the farm loan banks, and in this shape it passed the Senate, but the House committee has amended the bill so that this deposit is reduced to twenty-five millions. It is true that being a revolving fund the credit is much greater than the amount deposited. Constituting a revolving fund, the \$25,000,000 as soon as it is exhausted can be replaced by the proceeds of the sales of the farm bonds in which it has been invested. At the same time it is not, in my opinion, a sufficiently adequate sum to meet the demands of the agricultural interests. Besides, the methods of loaning through farm banks offer advantages to those who desire long-time credit in the purchase of real estate or in its development, but are very cumbersome to those who desire short-time credit for the purpose of the proper harvesting of their produce.

It is a step in the right direction. It is an assistance in a meager way, but in my judgment it should be accompanied

by other bills requiring the Federal reserve system to expand the currency to meet the present requirements of agriculture. One of the great purposes of the Federal reserve bank was to afford a ready and conservative expansion of currency in times of financial stress, and it was exceedingly unfortunate that deflation should have been brought about when the agricultural interests so urgently demanded extension of credit. One of the faults of the old currency system which the Federal reserve banking system was intended to supersede was contraction of currency, so as to reduce credit at times when contraction meant disaster to legitimate business. It was one of the heralded advantages of the Federal reserve system that it could always be relied upon to expand when the necessities of trade demanded expansion and to contract when those demands had been met. To create enormous reserves at the time of depression is to pervert the most useful feature of the Federal reserve system. The gold in this country has increased, according to estimates, nearly a billion dollars and the currency has been enormously deflated when the increased gold reserve fully warranted a great expansion. The increase of gold gave the reserve banks the base upon which to build an expanded currency. Under the terms of the Federal reserve banking system the currency could have been safely expanded with the increase of the gold brought into reserve. Instead of increasing, however, although the basis for credit had thus wonderfully been increased, the Federal reserve banks deflated at a time when such action worked the greatest possible hardship to the farming interests. I do not know who was responsible for this deflation, but whoever it was followed a course which meant the loss in millions to the farming interests and which was wholly unnecessary from a sound banking standpoint. I believe that this measure which is now before the House should be supplemented by further legislation to expand the currency to meet the demands of agriculture and other great financial interests. I do not understand why the majority party in this Congress, in bringing this bill before the House, has thought proper to reduce the benefit to be derived from the measure by cutting in half the amount of deposit originally proposed and deemed necessary by the Farm Loan Board and sanctioned by the Senate.

Second. Another source of great loss to the agricultural interests has been the excessive freight rates charged by the railroad systems of the country. The freight rates have almost been prohibitive, and, in my judgment, have been wholly unwarranted, considered either from the shipper's standpoint or the carrier's standpoint. The amount deducted from the market price at the seaport to meet transportation charges at the inland town depot has quadrupled on grain and other farm products. In days gone by the farmer of the Shenandoah Valley would deduct from the market price paid in Baltimore 4 or 5 cents per bushel of wheat to cover transportation charges. He must now deduct 25 or 30 cents. The Interstate Commerce Commission has sanctioned these excessive charges, notwithstanding the liberal provisions made for the railroads in the Esch-Cummins bill. In the shipment of fruit notably to certain points of consumption the freight rates have been increased to that extent that such shipments can no longer be profitably made. The railroads claim they are losing money, but if they make their rates so oppressive that shippers can not utilize their facilities it is no wonder they are losing money. But if they are losing money, it is because of very bad management somewhere. It seems to me the Interstate Commerce Commission should feel it incumbent to make necessary investigation to discover where the trouble lies and to correct it. If the railroads are not making expenses for their stockholders at the present rate of charges, then it is very evident that they have ceased under private management to respond to public demand.

Some relief might be given by repealing all taxes on transportation of farm products.

In this connection I take the opportunity of urging upon Congress the propriety of making liberal appropriations to develop the parcel post and to stimulate road construction. In recent years transportation has been greatly facilitated by the motor vehicles. This form of transportation can be greatly facilitated by the construction of good roads. Wherever the road has been improved there we find the truck transporting goods or passengers in relief of the congestion in railroad transportation. The various States of the Union have been aroused to the utility of good roads. Hundreds of millions of dollars have been appropriated by the several States for road construction. It is very poor policy on the part of Congress to practice economy in appropriations for the development of the country. Appropriations have run into a billion for armaments of all kinds, but when it comes to the peaceful development of the country in lines of industry Congress uses unmercifully the pruning

hook. It is very evident that the difficulties in the way of the farmer in transportation enables the middleman to make an unmerciful profit by depressing the price to the farmer and increasing the price to the city consumer.

Third, the great market for farm staples is the foreign market. The domestic market is always glutted. We produce in this country farm products far more than the people consume. In order to secure proper prices it is necessary to open the markets of the world to our products. Anything which interferes with foreign trade will inevitably depress the prices of farm products. Europe is in a state of financial chaos. All the great European countries are virtually bankrupt. They have not the gold to stabilize their currency. The result has been that the rate of exchange has been a great barrier to trade with this country. England, perhaps the most prosperous of any of the foreign countries, suffers in common with the others.

The English pound, which in normal times is worth \$5 of our money, has shrunk to a little over \$3. An Englishman, therefore, buying produce from this country must pay the rate of exchange. Where in former years a pound would buy \$5 worth of our produce, it now buys but little more than \$3 worth of our produce, and this loss must naturally be borne by the Englishman or it is reflected in the depressed price of our grain. As these countries can not, therefore, buy our produce with their money, it is necessary for them to buy our produce with their goods, and so it seems to me the tariff law will prove an enormous burden to our agricultural interests. By interfering with the exchange of foreign goods for our farm products we are necessarily to that extent closing foreign markets to our farmers. Of course, it is necessary to lay tariff taxes, but when these tariff taxes are made protective to such an extent as to forbid the importation of foreign goods into this country we are taking away from the foreign consumer the only means he has with which to buy our produce. As the conditions in Europe are much disturbed and factories can not for a long time be reestablished upon a scale sufficiently large to seriously affect our domestic market, it does seem to me that these tariff taxes could be made sufficiently light so as not to impair exchange for our farm products and greatly increase the Government's revenue.

A tariff tax on farm products is more or less ridiculous. The emergency tariff, so called, has been in force for some time, and yet each day's reports show a steady decline in the grain markets and other markets supposed to be protected by the tariff.

What the farmer demands is not laws forbidding importations, but laws facilitating exportations of his produce to a world eager to obtain it.

The millions of hungry peoples of Europe long for the opportunity to take the produce of our farms. They are eager for the opportunity to buy at fair and reasonable prices. They have, however, no gold, and can only offer their own commodities in fair exchange. What folly to interpose between a traffic so profitable to the farmers of this country and to the toilers of foreign lands prohibitive tariffs which make fair trade impossible and reduce the revenue of the Government. It reduces the revenue because the tax reduces importations excessively.

The protective tariff on farm products is keeping the word of promise to the ear and breaking it to the hope; while prohibitive tariffs on commodities of exchange for farm productions are denying the farmers the world market for their produce.

In so far as the present bill furnishes some extension of credit to the farmer, I shall vote for it, and hope further relief may be extended. I do not fear that the tax-exemption features of farm loan bonds will ever create tax-exempt securities to such an extent as will be an evil. On the contrary, this feature makes the farm loan bonds a most attractive investment, and will create the proper capital for loan to the farmers.

The present condition of the agricultural interests demands the prompt acceptance of all measures of relief, however meager, which can be obtained from Congress, and I shall gladly vote for the pending bill. [Applause.]

Mr. McFADDEN. Mr. Chairman, I yield three minutes to the gentleman from Pennsylvania [Mr. CAMPBELL].

Mr. CAMPBELL of Pennsylvania. Mr. Chairman, I intend to support the pending measure. This bill amends section 32 of the farm loan act and assures the continued active functioning of the farm-loan system. The farm-loan system comes out of the nonpartisan thinking and activities of men who long ago realized that agriculture stood in need of some system which would furnish it with long-term credit with reasonable rates of interest and on the amortization plan of repayment of principal. This the system is doing. Even now, since the Su-

preme Court's decision in February upholding the constitutionality of the act, \$40,000,000 are being loaned to the farmers through it. This sum will run the system until about August 1, when, unless this bill is passed, loanable funds will not be available until such time as farm-loan bonds may be sold to the public to produce such funds. The present bond offering of \$40,000,000 is not even now entirely closed, although it was begun April 18. This indicates not only the difficulties of the present bond market but likewise the unwisdom of attempting in the immediate future to float another issue of this same character of bonds. It could not be done. The enactment of this bill will provide loanable funds until early autumn, when it is expected a successful flotation of bonds can be made.

It may surprise some that I, who live in a great city teeming with industry and business, should feel a very definite interest in this matter, which on the face of it seems to affect only agriculture. My interest in this measure comes out of a realization of the fact that the streets of my great city would soon grow up in grass were it not for the activities upon the farms of the country. It is about time that the man of the city should begin to understand that there is not a problem touching agriculture which is not of vital interest to him. The farm produces two of the absolute necessities of life and civilization—food and clothing—and those of us of the cities who must eat and be clothed must know once and for all that we are dependent directly upon the farm for these necessities, and that every measure of help to agriculture is in fact only helping ourselves. The present census figures present a picture which, while not alarming especially, must give reason for the promotion of every enterprise which will make farm life more profitable and rural conditions more inviting.

Mr. WYANT. Will the gentleman yield?

Mr. CAMPBELL of Pennsylvania. Yes.

Mr. WYANT. I understand this bill is to afford the farmers some relief in this time of distress. In the gentleman's district and in my district 75 per cent of the miners and the millmen are out of employment and are in distress. They own their little homes. Would it be possible to enact legislation to afford these people in our districts the necessary relief, and would the gentleman be in favor of such a measure?

Mr. CAMPBELL of Pennsylvania. I hope it is possible, and I am ready to support any measure to that end. I may say that the industrial conditions to-day are different from what they have been in many decades. I am hopeful, however, and I am sure that these conditions will be readjusted, and that labor will be employed. For the first time in our history urban population is greater than rural population. The increase in percentage of urban population during the past decade is many times greater than a like percentage of increase in rural population. We have reached the point where there are more mouths to be fed than there are people in the country at work to feed them. Any legislation, therefore, which looks to the betterment of agriculture throughout the Nation should appeal strongly not only to Members representing agricultural districts, but to those of us who represent city districts, because we are just as much dependent upon agriculture as is the farmer himself. [Applause.]

Mr. WINGO. Mr. Chairman, I yield 15 minutes to the gentleman from Alabama [Mr. STEAGALL].

Mr. STEAGALL. Mr. Chairman, I am supporting this bill upon the theory suggested a moment ago by the gentleman from Virginia [Mr. FLOOD]. I am going to take half a loaf because I can not get a whole loaf. Some of us have been fighting for several weeks to make it a whole loaf, but there is an influence here somewhere that no one can see—I will not characterize it as "invisible Government"—that has made it difficult for those of us who are favorable to this legislation to make headway in securing its passage. This influence is such that Republicans just coming into power, fresh from their unprecedented victory, with every opportunity for public service confronting them, seem unable to keep their hands on themselves. For six years I have had the honor of serving as a member of the Banking and Currency Committee of the House. During this time much important legislation has been framed by this committee and passed by the House. We have considered and passed upon measures of vast importance to the financial affairs of this country and the world.

During this time the members of the committee have been accustomed to meet in the usual way, and after free and full discussion, make its decisions and have measures reported to the House accordingly. It has been the custom for all members of the committee, whether members of the majority party or minority party, to be taken into the full confidence of all other members of the committee. The first exception to this rule, so far as I know, is to be found in the history of the bill before us



to-day. For weeks the Banking and Currency Committee held hearings on legislation to give aid to the land banks. Some of us favored authorizing the Secretary of the Treasury to make deposits to the extent of \$100,000,000. Some were opposed to any aid at all. But, a majority of the committee decided that the most practical thing to do was to pass the bill carrying \$50,000,000, which had already passed the Senate. The bill before us provides for only \$25,000,000. It is not the bill favored by the members of the Banking and Currency Committee who really desire the extension of Government aid to enable the land banks to meet the needs of the farmers of the country. It was framed in conference by some members of the committee, most of whom voted against reporting the Senate bill and who are not really in sympathy with the original farm loan act, assisted by others in conference who were not members of the Banking and Currency Committee. The bill was thus drawn up, presented, and rushed through the Banking and Currency Committee as a substitute for the Senate bill, which the committee had almost two weeks previously ordered reported to the House. The rules of the House will not permit me to review all that transpired in the committee, but it would be interesting to Members to know just what occurred, and I think it would be interesting to the farmers of the country to know the facts regarding this legislation. Such information would be valuable in enabling them to recognize their real friends in this House.

Reference has been made to the attitude of the Federal Farm Loan Board respecting this legislation. I want to give you the facts in the matter. All of us remember the institution of injunction proceedings against the land banks and the history of the litigation which followed. I am not criticizing the Supreme Court, but it was most unfortunate that this suit should have dragged along as it did and that the operation of the land banks should have been suspended so long just at a time when the farmers of the country were in greatest need of the benefits of the system. Of course, the members of the Farm Loan Board are anxious to have the land banks resume business as early and as extensively as possible. Any other attitude on their part would constitute bad faith and no one who knows the members of the Farm Loan Board doubts their desire to promote the efficiency and successful operation of the land banks.

But members of the Farm Loan Board are not in position to dictate terms to Congress nor formulate legislative policies. They are simply asking Congress for what they can get. They went before the Senate and urged the passage of the Senate bill authorizing the Secretary of the Treasury to deposit \$50,000,000 to enable the banks to resume and carry on their business. The Senate passed the bill upon the insistence of the Farm Loan Board and the Secretary of the Treasury. The bill came before the Banking and Currency Committee of the House and the committee gave it most thorough consideration and conducted extended hearings. We had before us both Mr. Lobdell and Mr. Lever, of the Farm Loan Board, and Mr. Mellon, Secretary of the Treasury. All of them told us that \$50,000,000 was the sum required to enable the banks to function and carry on their business as contemplated by the framers of the farm-loan system. The Secretary of the Treasury indorsed the Senate bill for \$50,000,000. The members of the Farm Loan Board said they needed that amount of deposits to constitute a sufficient revolving fund or capital with which to do business. After exhaustive consideration and discussion the Committee on Banking and Currency, by a divided vote, ordered the bill reported to the House. Let me add in this connection that when I say the committee was divided I have reference to only one side of the committee. The Democrats, by a united vote, stood in every instance for the largest sum, the greatest measure of relief possible to obtain by this legislation. [Applause.]

When the bill was ordered reported it went to sleep. But while the bill was resting somebody was awake. About ten or twelve days elapsed without any report being made, and finally, without a word of warning Democratic members of the Banking and Currency Committee were notified by certain other members of the committee that we were to meet to receive a re-draft of the measure. We were called back into session without a report of the bill having been made as ordered by the committee and the substitute was laid before us which cut down the amount of \$50,000,000 as carried in the original Senate bill and so framed that the amount of deposits which the Secretary of the Treasury is allowed to make can not exceed the sum of \$25,000,000. Then it was that members of the Farm Loan Board were called back before the committee. Members of the Farm Loan Board knew the circumstances that had developed since the organization of the farm-loan system. They recognized the impossibility of putting the system to functioning again

without assistance and were anxious to secure relief. So, of course, they said, "Yes, we will take \$25,000,000 and glad to get it." They were not in a situation to dictate terms nor to complain at what was done. They knew the situation and had to do the best they could.

I asked the chairman of the Federal Farm Loan Board before our committee if this was not the case, that the \$25,000,000 provided in the substitute bill, the measure now before the House, was not the minimum amount that would enable the land banks to resume operations, and he said that was stating the matter correctly. But at no time did they say they did not need \$50,000,000.

The gentleman from Massachusetts [Mr. LUCE] says that the Democrats in establishing the farm loan system provided for only \$6,000,000 Government aid to the revolving fund or capital stock of the banks, and that we are now called on to correct a mistake. If such be true, why should any friend of the farm loan system quarrel about it? Why not welcome the opportunity to correct the mistake, perfect the system, and extend its usefulness? The original farm loan bill made provision for \$9,000,000 of Government aid to constitute the original capital stock of the land banks, the Government to be reimbursed automatically as loans were made, the bill providing that borrowers must subscribe to the capital stock of the land banks an amount equal to 5 per cent of each loan obtained. The banks still have \$6,000,000 of Government funds represented in capital stock. But, let me say that conditions in the country at the time of the passage of the farm loan act were not what they are now. The demand for loans was not to be compared with the demand existing to-day, and there was no difficulty whatever in selling bonds of the land banks either in large or small amounts.

Mr. STEVENSON. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. STEVENSON. Is it not a fact that we provided for \$9,000,000 of stock and \$6,000,000 of deposits?

Mr. STEAGALL. Yes.

Mr. STEVENSON. And they have still \$6,000,000 of stock and \$6,000,000 of deposits.

Mr. STEAGALL. That is correct. If conditions had remained as they were at the time of the passage of the farm loan act, the difficulties to be found in the present situation would never have existed. The system was gradually developing. As a borrower obtained a loan from a land bank he subscribed 5 per cent of the amount of such loan to the capital stock, so that every time a loan was made the stock was automatically increased. If the war had not come along and conditions had not been disturbed as they were, if injunction proceedings had not been instituted and the land banks forced to shut down, no doubt the capital stock would have been increased to a point where the banks would be on an independent basis. But, unforeseen conditions arose, and it has been necessary to deal with these developments from time to time.

Attention has been called to the fact that the Treasury now holds a large amount of land bank bonds, the total being, as I remember, approximately \$183,000,000. This came about because of the conditions to which I have referred and not because of any failure of the land banks to function as expected by the framers of the farm loan act. The bonds of the land banks were finding ready market as fast as they were offered. In fact, they were considered a choice investment. It was because of this fact and the desire of Government officials to remove land bank bonds from competition with Government bonds that legislation was asked authorizing the purchase of these bonds by the Treasury. The Secretary of the Treasury asked for that legislation. The amount provided in the bill before us under conditions that now exist, considering the vast amount of securities that have been and are being thrown on the market and the great volume of Government bonds that have been absorbed—in the light of all developments since the passage of the original farm loan act—is not a greater sum in proportion to the necessities of the situation than the amount of Government aid provided in the original bill. Those who ask for authority for the Secretary of the Treasury to deposit \$50,000,000 in the land banks are not demanding that the Government meet the emergency that exists in agricultural sections or that the Government loan money to the farmers of the country to relieve these conditions. But \$50,000,000 is the minimum sum which the Farm Loan Board and the Secretary of the Treasury recommended in addition to the capital on hand to give the banks a revolving fund sufficient to enable them to resume business and gradually market their securities. With conditions as they are to-day it is not practicable to market bonds of the land banks in small amounts. The bonds can best be handled by putting them on the market in large quantities, and the land banks

should not be hampered by lack of sufficient capital to conduct business in the most businesslike way. They should not be required to market a small amount of bonds, loan the money to the farmers, then have to take mortgages, and get ready with a new bond issue before doing more business. They should have sufficient capital to keep the forces of the system constantly moving and to afford as nearly a constant supply of money to the farmers of the country as the demand for bonds make possible. If we will provide the necessary increase of working capital, I have no doubt whatever that the bonds of the land banks can be marketed with sufficient success to extend a large share of relief to the agricultural sections of the country and that in a short time the Government can stop the extension of aid and leave the system to stand alone.

Mr. HARDY of Texas. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. HARDY of Texas. As I understand it, whatever is deposited will not be used except as it is loaned. If the farm loan banks have \$25,000,000 in hand and \$50,000,000 were set aside by these banks, it would make \$75,000,000, and if they loaned \$50,000,000 for a bond issue and were able to sell those bonds and returned the money to the Government there would never be but \$25,000,000, so that the excess loans would do no harm but would meet a situation that is very urgent.

Mr. STEAGALL. Absolutely. The truth of the matter is this bill ought to carry \$100,000,000, which would provide a revolving fund to meet all requirements with something at all times left over. That is what I should like to see done. That would have the effect of serving notice on the investing public that the Government intends to see that this great system, designed to foster the agricultural industry of the country, which lies at the basis of all prosperity and development, should be made to go forward and function. If this were done, there would never be further question about the ability of the farm loan banks to market their bonds in amounts sufficient to catch up the slack and take care of the demands. In my judgment this would go a long way toward relieving the distress which exists among the farmers of the country and which in turn involves every section and every interest of the Nation. Every man who is familiar with conditions understands that not alone is the farmer in need of better credit facilities at this time but any aid to the farmer will enable him to reduce his debt to the merchant and the banker, and in this way bring general relief and improvement.

Mr. HARDY of Texas. Is it not also true that if they had this larger volume they might make an issue of \$40,000,000 of bonds and put them on the market and they would not be forced to suspend business until they had sold the bonds?

Mr. STEAGALL. That states the case admirably. In other words, the system would operate from day to day, instead of at intervals of sixty or ninety days. The banks would resume business in orderly fashion and we should not longer be plied with letters and questions to know when applications would be received for loans and when the system would be ready to resume business. The banks have on hand, as I am informed—I may not be exact in figures—about \$140,000,000 of approved applications. I see that the gentleman from Massachusetts [Mr. LUCE] shakes his head.

Mr. LUCE. Mr. Chairman—

Mr. STEAGALL. I prefer not to yield right now. The figures may be slightly erroneous, but they are substantially correct. Let me say this, however, you can not estimate the demand by the number of loans that have been approved nor by the number of applications that have reached the land banks. All over the agricultural sections of this country where contraction of currency and restriction of credit and deflation of prices have been felt so much in recent months the people are wanting to know when the land banks will be ready to resume business. They understand that only recently was the case in the Supreme Court terminated, and that the banks are obliged to sell bonds before they can resume business. If we pass the Senate bill, nothing remains but for it to be signed by the President, and no further time will be lost. But if we pass the substitute before the House limiting the amount of aid to \$25,000,000 the measure will have to go to a conference committee of the Senate and House, and there is no telling how long the legislation may be delayed.

The recent slump in prices has resulted in a loss to the farmers of the country estimated at the appalling sum of \$7,000,000,000. Cotton dropped in a short time from 40 cents to 12 cents, corn from \$2 a bushel to 50 cents, hogs from 18 cents to 6 cents, wheat from about \$2.50 to a little over \$1 per bushel, and other products of the farm in proportion. In the meantime taxes, transportation charges, and nearly everything

the farmer has to buy remains on a war basis. These conditions are ruinous not alone to the farmer, but they affect every class and every legitimate interest. No patriotic man can fail to appreciate the situation and the importance of finding a remedy. We passed a bill authorizing the organization of export corporations to assist in exporting our products to foreign markets. We have passed a bill providing for a revival of the War Finance Corporation to assist in marketing American products. I have no doubt this legislation has been helpful. But, in my judgment, no better opportunity can be found to furnish relief to the agricultural sections of the country than in passing legislation to extend proper aid to the land banks.

The legislation involves no departure from the principles upon which the original farm loan act is founded. Moreover, there is no difference so far as the underlying principles of legislation are concerned between extending aid to the extent of \$50,000,000 and \$25,000,000. The only difference is the extent to which we are willing to go in granting aid. We should make the amount sufficient to enable the land banks to function in a way to take care of the demands and let their business be extended until the stock owned by the borrowers automatically reaches an amount large enough for the system to stand alone. This is the quickest way for the Government to accomplish what it has undertaken to do and terminate its liability. It is not proposed that the Government make any gift or even any loan. It is simply proposed that the Government make use of the land banks for the deposit of Government funds at interest which is to exceed by one-half of 1 per cent the amount of interest borne by the last issue of farm loan bonds. This means a rate of 5½ per cent for funds deposited in the land banks, while the rate paid by other depositories is only 2 per cent. No one has complained about the deposit of Government funds in commercial banks nor even in foreign depositories.

Much has been said in this discussion about the evils of tax-exempt securities. Most of us never heard of this complaint until a few millions of tax-exempt bonds were put on the market, representing loans to the farmers of the country. Such loans to the farmers amount to only \$427,000,000. Yet the total of tax-exempt securities in the country, exclusive of all Government bonds, amounts to about \$16,000,000,000. The city of New York alone has issued about \$4,000,000,000 of tax-exempt securities. But when it is proposed that the Government aid in providing banking facilities suited to the requirements of agriculture a great howl is raised and the charge of socialism and class legislation is heard. Gentlemen who make these complaints are perfectly willing that the Government shall make loans to the railroads and provide hundreds of millions in guaranties to them. We have many millions loaned to the railroads secured by railroad bonds. No complaint has been made about this by the gentlemen who raise the cry of socialism when we undertake to afford adequate banking facilities for the producers of the country. The gentlemen make no protest against giving the railroads access to the Treasury as well as the power to levy exorbitant and in many instances prohibitive transportation charges. Gentlemen who talk much of economy when it is proposed to furnish a pittance of Government aid to the farm loan banks forget all about economy when it is proposed to spend hundreds of millions of dollars to support a vast Military Establishment. The last Army and Navy appropriation bills on their faces carry three-quarters of a billion dollars. The Secretary of the Treasury estimates that we are to spend during the next fiscal year \$1,100,000,000 on our Army and Navy. This enormous sum is to be expended in time of peace, when the people are burdened with taxes as never before, the world bleeding from the wounds of war and staggering under debts that can not be paid in half a century, and most of the leading nations of earth not in position to undertake war without the assistance of the United States. I voted against the Army and Navy bill, as I have voted against all unjustifiable and outrageous expenditures of the people's money. I shall continue to oppose extravagant and unnecessary appropriations and the creation of useless offices. But true economy demands that every legitimate effort be made to promote the independence and prosperity of those who produce the Nation's wealth and the products of whose toil maintain our financial independence and commercial supremacy among the nations of earth. I am going to introduce a new bill to provide \$100,000,000 of capital for the land banks and be ready to take up the fight for adequate relief later on, as I believe it will be necessary to do. But the practical thing for us to do now is to pass the Senate bill providing for aid to the extent of \$50,000,000. This legislation we are in position to obtain without further delay, and it will at least afford partial relief. I hope the House will vote down the substitute and pass the Senate bill. [Applause.]



Mr. WINGO. Mr. Chairman, I yield five minutes to the gentleman from Louisiana [Mr. WILSON].

Mr. WILSON. Mr. Chairman: It is a little bit strange that when we begin to discuss the farm loan system and to advocate measures for making the farmers' banking system a success along the lines originally contemplated by Congress the question should arise in the minds of some gentlemen about class legislation and in regard to the Government getting into private business. In the first place, the establishment of the farm loan system did not bring the Government into private business but simply brought its aid and sanction to a most essential national enterprise, upon which rests the prosperity of the Nation's greatest industry—agriculture.

But in view of what has been done for the railroads in extending them Government aid to the extent of \$2,000,000,000 and guaranteeing them a 6 per cent income on the estimated value of their properties, and in view of what the Government has done for the commercial banking system, which finances the operations of all industrial enterprises of the country, I deem it very inappropriate that any criticism should be leveled at those who advocate immediate relief and aid to the farm loan banks, or that any effort on the part of the Government to rehabilitate agriculture and assist in rescuing the farmer from his present financial condition should be designated as class legislation.

The present House measure authorizes a Government deposit of \$25,000,000 for the use of the farm loan banks. The Senate bill, following the recommendation of the present Secretary of the Treasury, authorized a Federal deposit of \$50,000,000. I congratulate the Secretary upon this recommendation, and heartily favor the adoption of the Senate resolution. I would much prefer taking the opinion of the present Secretary of the Treasury upon a matter of this financial importance than the recommendation of those who have reduced that from \$50,000,000 to \$25,000,000.

The object of Congress in establishing the farm loan system was to give the farmers of the country a banking system backed by the same authority and supported by the same power that had established and maintained the commercial banking system of the country. That means a banking system having the support, cooperation, and aid of the Federal Government.

The conditions surrounding agriculture make a separate and distinct banking system necessary. It will be forever to the credit of the recent Democratic administration that it worked out and established such a system in this country, and it will also be to the credit of the present Republican administration should it champion the legislation necessary to insure the success of that system. A great business question is not necessarily a party issue.

The situation in relation to agriculture in the United States is most critical just at this time, and not through any fault of the farmer himself. The farmers of the United States rose to the highest standard of patriotic effort for increased production to meet the needs of the Nation during the war. The 1919-20 crop was produced during the peak of price inflation, and was the most expensive crop to its producers ever known in this country. This fact, together with the credit contraction begun in the fall of 1920, creates the supreme difficulty now.

Whether done deliberately and designedly or not, the policy of deflation or credit contraction was precipitated just as the farmer was ready to market this very expensive crop. I was among the delegation of Representatives and Senators, along with many people engaged in agriculture and the live-stock industry who came to Washington in October, 1920, and appealed to the then Secretary of the Treasury and the Federal Reserve Board against the announced intention to inaugurate the policy of credit contraction, and urged a further extension of agricultural credit until the crop could be marketed in an orderly fashion.

It has been conservatively estimated that the farmers of America lost \$8,500,000,000 on the 1920 crop. Of that amount the live-stock industry alone lost \$1,400,000,000. The loss of the other \$7,100,000,000 fell upon the producers of cotton, sugar, rice, grain, tobacco, and other farm products. This loss was one-third of the total value of the crop and represents a decline in the price of farm products from the previous year of 70 per cent. This loss is equal to one-third of the amount spent by this Government in the World War. So there should be no surprise that the farmer to-day finds himself in need of credit in order to hold his organization together and bridge him over the period of readjustment.

It is estimated that the passage of this resolution, and I refer to the Senate resolution providing an additional \$50,000,000 revolving fund, will enable the Farm Loan Board to grant loans to the extent of \$200,000,000 a year. There are now

pending \$140,000,000 of approved applications. It is of supreme importance that Congress act upon this matter immediately in order to bring assistance to America's greatest industry.

Mr. Chairman, I do not like to divide the American people up into classes, especially in relation to business and enterprise. The success and prosperity of the American people as a whole is based upon the success of all their enterprises, whether they be industrial, commercial, or agricultural. But just now we should not overlook the fact that while the entire assets of this Nation are estimated to be about \$270,000,000,000, \$85,000,000,000 of this is represented by agriculture, and that farming is America's biggest business and her basic industry.

Insuring the success of the farm loan system is simply one of the steps that must be taken for the improvement of agriculture. Another should be a better marketing system. And one second in importance to none is the question of transportation. Among all the burdensome taxes now paid by those engaged in agricultural pursuits and business in general is that of freight rates. These rates are now, on an average, 80 per cent higher than before the war. On some commodities they are 200 to 300 per cent higher. The total additional charge on live stock and farm products amounts to more than \$1,000,000,000 annually. It has been estimated that more than \$3,000,000,000 worth of farm products are not shipped at all, simply go to waste, because the freight charges amount to more than the sale price of the product when it reaches the market. Vigorous steps should be taken to remedy a situation of this character, and it is entirely useless for Congress and those in authority to simply await developments, trusting in some kind Providence to provide a remedy or in the patience and long-suffering of the people to overlook their negligence and inaction.

But to return to the measure under consideration for the relief of the farm loan banks and answering the suggestion that the present need for such legislation may indicate an inherent defect in the system, it is very evident when the facts are recalled that such is not the case. Before and for some time after our entrance into the late war every issue of farm loan bonds placed upon the market was promptly taken. With the investing public these bonds ranked as a choice security; so much so that during the war the Federal Farm Loan Board, at the request of the Government, withdrew from the market so that the bonds of the farm loan banks would not come in competition with Liberty bonds and war savings stamps. So this interrupted the orderly functioning of the system.

Then later came the suit of the old-line mortgage and trust companies, who sought to destroy the farm loan system by having the act creating it declared unconstitutional. Pending the decision of this suit, which was in the Supreme Court of the United States for more than a year, the whole machinery was practically paralyzed, as no bonds could be sold with the constitutionality of the law in question. The constitutionality of the law was upheld throughout by the highest court of the land, and thus ended the conspiracy for the destruction of the law by its enemies.

Mr. Chairman, in my own judgment the act of Congress creating the farm loan system and the decision of the Supreme Court of the United States in sustaining it will in the future be regarded as the charter of liberty for a safe and adequate system of agricultural financing. So let us take advantage of this opportunity to guarantee to it the fullest measure of success.

Mr. McFADDEN. Mr. Chairman, I yield five minutes to the gentleman from South Dakota [Mr. WILLIAMSON].

Mr. WILLIAMSON. Mr. Chairman and gentlemen of the committee, I think it was in January, 1920, that it was announced through the press of the country that the Federal Reserve Board would curtail all speculative credits. Now, whatever the intention of the Federal Reserve Board may have been, the effect, in fact, was to curtail all credits, with the result that many of the loans of the western banks were called in, and the western banks in turn were compelled to call in the loans of their customers. The price of all farm products throughout the Nation within a few months dropped over 25 per cent in value, and they have continued to go down until to-day your wheat has gone down more than 100 per cent, your hogs more than 300 per cent, and your cattle about 250 per cent. Now, then, if there ever was a time when the Nation would be justified in extending aid and assistance in the manner in which this bill seeks to give it that time is now. My only regret is that the aid extended is not larger than it is under the provisions of the committee amendment.

I want to congratulate the chairman of this committee upon the splendid address which he made this afternoon relative to the tax-exempt securities. To my mind, that is one of the great menaces that this Government is facing at the present

time. He stated, I believe, that there were something like \$14,600,000,000 of those securities outstanding. I have been carefully compiling figures for weeks upon this subject and I am confident that when the outstanding tax certificates and the warrants of indebtedness of cities, counties, and States are added to the tax-exempt securities he referred to we shall have an aggregate of more than \$16,000,000,000 of them. This Government, as a result, has lost the revenue upon an income of nearly \$950,000,000, and that would mean a net revenue of not less than \$190,000,000. This is now entirely lost to the Government. More than this, the fact that the people have been able to put their money into tax-exempt securities—and I hope all Members of this House who did not hear the gentleman's speech will read it—has resulted in taking away from the farmer any possibility of floating farm loans with independent companies or individuals at any reasonable rates of interest. I now yield to the gentleman from Illinois.

Mr. KING. I was going to ask the gentleman a question, but I will desist.

Mr. WILLIAMSON. I am in favor of this bill. It is a tardy acknowledgment of what we owe to the agricultural class of this country. The farmers, in my judgment, more than any other one class, represent the basic industry without which this Nation can not live, and if there is any excuse anywhere for tax-exempt securities, it is the bonds of the Federal farm loan bank. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. WINGO. I yield five minutes to the gentleman from Kentucky [Mr. BARKLEY].

Mr. BARKLEY. Mr. Chairman, in the spring of 1920 the House had up a bill providing a \$100,000,000 appropriation fund available for the Farm Loan Board to take care of the loans which had been applied for and approved prior to March 20, 1920. While that bill was under consideration I offered an amendment providing for an additional \$100,000,000 to take care of loans for farmers up to the 20th of March, 1921, the object of which was to take care of the loans while the Supreme Court was deliberating upon the constitutionality of the law. If that amendment had been agreed to by the House—and it was defeated by a partisan vote—the troubles which now beset the agricultural sections of the United States would have been largely obviated, so far as money is concerned. Now, we have been told that the Farm Loan Board has approved loans amounting to \$140,000,000 to the farmers of the United States, but that \$140,000,000 does not adequately express the real needs of the agricultural interests of this country. I recall particularly the conditions which exist and have existed within my own district for the past year and a half. The farmers there produce a product which finds its market almost entirely in Europe; 87 or 90 per cent of that product is shipped abroad. During the winter and spring of 1920 and from that time on until now the European market has been completely demoralized and unable to obtain the funds with which to make purchases of this American product. The farmers who, when land was high during the war and following the war, bought little farms at prices which were abnormal, are now undergoing foreclosures, and the only thing that can relieve them from losing their homes is for the Government to deposit sufficient money with the Farm Loan Board to enable that board to make loans to them to tide them over for a few years and save their lifetime earnings and savings, and at the same time finance their agricultural enterprises. Not only that, but many farmers who are not in actual danger of losing their homes need funds to tide them over until the markets for farm products offer greater returns than at present. So, I do not believe we ought to agree to the amendment which has been brought in here by the committee.

The Farm Loan Board when it laid this matter before the Senate urged \$50,000,000, and they told the Senate committee, and the Senate was so advised, that at that time the farmers of the United States needed more than \$50,000,000, but if the board had \$50,000,000 they might be able to tide over and save the situation. I do not understand the board has changed its opinion since the Senate passed this bill.

Mr. KING. Will the gentleman yield?

Mr. BARKLEY. I can not yield in five minutes.

Mr. KING. I wanted to give the gentleman a little information. He is in error.

Mr. BARKLEY. I know the gentleman can do that, but I would be glad to have him do it in his own time.

The Farm Loan Board, I understand, did say that they could get along with \$25,000,000, but it is inconceivable that a board with the experience of the Farm Loan Board a month ago wanted \$50,000,000 and now wants only \$25,000,000. Of course, they will take whatever they can get. But \$25,000,000 is not a drop in the ocean compared with what the agricultural sections

of the United States need, and there is not a member of the committee or a man in this House who thinks \$25,000,000 is all the farmers of the United States need to borrow at this time. They tried to sell \$40,000,000 of farm loan bonds, and have not been able to sell them yet, and this bill provides only \$25,000,000—

The CHAIRMAN. The time of the gentleman has expired.

Mr. WINGO. Mr. Chairman, I yield one minute more to the gentleman.

Mr. BARKLEY. It provides that when this \$25,000,000 is deposited in the farm loan banks, and they then put another bond issue on the market in 15 days after the issue is closed, the Secretary of the Treasury must call on the farm loan banks to return the \$25,000,000. Instead of having a revolving fund that the Farm Loan Board can use in making loans, as soon as the \$25,000,000 called for in this bill is loaned and used as a basis for farm loan bonds, and the board gets in the money for the sale of the bonds, the board must take that money and pay it into the Treasury of the United States and leave the Farm Loan Board and the farm loan banks in as bad a situation as they are now. I hope the amount provided in this House substitute will be increased to at least \$50,000,000, and, as a matter of fact, it ought to be increased to \$100,000,000. But if the committee amendment can not be amended to increase the amount to at least \$50,000,000, I hope the substitute will be defeated and the Senate bill will be adopted. [Applause.]

Mr. McFADDEN. Mr. Chairman, I yield five minutes to the gentleman from New Jersey [Mr. PARKER].

Mr. PARKER of New Jersey. Mr. Chairman and gentlemen, it is a Member's duty to voice his sentiments as well as to vote, and I rise to voice the sentiment of those who oppose this bill. It directs the United States to deposit \$25,000,000 for farm loans, and the party that is crying for economy and shouting for economy are unanimous not only for this but in asking \$25,000,000 more. Meanwhile the United States is short of revenue. We do not get sufficient in taxes to cover what we spend.

Mr. DUNBAR. Will the gentleman yield?

Mr. PARKER of New Jersey. Excuse me, as I have but five minutes.

The deficit from day to day is borrowed. The United States owes \$8,000,000,000 in notes and in short-term bonds, coming due within two years, and the Treasury is carried in the meantime by the banks. The times are such, with falling prices not only in farms but all over the country, that it is mighty doubtful whether the banks can continue to do this. And it is doubtful—

Mr. STEAGALL. Will the gentleman yield?

Mr. PARKER of New Jersey. I can not yield. I have only five minutes.

And it is doubtful also whether in these times the United States can borrow at reasonable interest and fund its debt. The United States has already \$183,000,000 of farm loan bonds which it has bought. It has deposited \$6,000,000 for the farm loans. Those loans will not sell at 5 per cent, and the United States is now asked to deposit \$25,000,000 more in order that there may be issued by the Farm Loan Board several million dollars more of tax-free farm loan bonds at 5½ per cent, in order seemingly to spoil the market for the United States securities at any reasonable rate of interest, and also in order to induce the farmer to mortgage his farm when farm prices are falling and when such a mortgage is the best way to ruin the farmer. I can not help opposing this bill.

I now yield to the gentleman from Indiana [Mr. DUNBAR].

Mr. DUNBAR. The gentleman stated, if I understood him right, that we were spending more money than we had collected by taxes.

Mr. PARKER of New Jersey. I did.

Mr. DUNBAR. Is the gentleman aware that so far during this fiscal year our excess of revenue is \$450,000,000 more than our expenditures?

Mr. PARKER of New Jersey. I am not aware of that.

Mr. DUNBAR. That is so stated in the daily statement of the United States Treasury.

Mr. PARKER of New Jersey. There are times of the year when the income tax comes in and certain times when it does not.

I now yield to the gentleman from Alabama [Mr. STEAGALL].

Mr. STEAGALL. The gentleman seems to be familiar with Government figures and statistics, and I want to ask him if he can tell us how much has been loaned by the Government to the railroads and what sort of security the Government has for those loans?



Mr. PARKER of New Jersey. The Government had to run the railroads during the war.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. PARRISH. Mr. Chairman and gentlemen of the committee, the Federal farm loan banks have proven themselves indispensable to the very life and prosperity of our Nation. The purpose of the act creating them was to make it possible for those who desired to purchase and own homes to borrow money at a reasonable rate of interest and on long time, with easy terms of payment. In this way it was made easier for the poor man wherever he lived to buy and pay for a home for himself and family, and for this and many other reasons the successful functioning of the several Federal land banks was and is most vital to our people.

However, notwithstanding their great importance, these banks have from the beginning been seriously handicapped in their operations. In the first place, only \$6,000,000 were allowed to them as a working capital, and under the act as originally drawn the Secretary of the Treasury was authorized to deposit not exceeding that sum in the several banks. Evidently that sum was not sufficient to furnish an adequate working capital and the banks have been seriously handicapped.

In the second place, the interests and forces that fought the passage of the law creating these banks did not relinquish their efforts when the law was finally enacted, but they carried their fight to the courts, and for many months the work of the whole Federal farm loan bank system was suspended entirely, notwithstanding the fact that applications for hundreds of loans were made from time to time during the litigation involving the future of the land bank system.

Fortunately, the Supreme Court of the United States has given its decision settling finally in favor of the banks the questions of legality involved and has sustained the original act in its entirety and has swept away all legal objections and left the banks free and unhampered in their future operations.

The bill now before us is intended to meet and solve the first difficulty of insufficient working capital and authorizes the Secretary of the Treasury to deposit, in addition to the amount already authorized, such sums as in his discretion he may direct until the aggregate paid-in capital of the 12 banks reaches the sum of \$50,000,000. In other words, the House bill, which is offered as an amendment to the Senate bill, would authorize the Secretary of the Treasury to deposit in the several banks an amount equal to \$25,000,000 more than is authorized under the present law. The Senate bill authorizes the deposit of \$50,000,000, or twice as much as the House bill.

I am in favor of the Senate bill and will vote against the House amendment, with the hope that the Senate amendment will be adopted. But if the House bill is substituted for the Senate bill, I shall, nevertheless, vote for the House bill, because it will be the best I can do. Since the money is in no sense a loan or a charge upon the Public Treasury, I think it would be very much better to give the Secretary of the Treasury in his discretion authority to deposit at least \$50,000,000 in order to make sure that the land banks have ample capital to carry on their work without cessation and without further difficulties on account of insufficient capital.

Mr. Chairman, I feel very much in earnest about this matter, because it touches vitally the welfare of my people. I doubt if there are many of us who really appreciate the conditions just now confronting the farmers and producers of this country. They have been caught, so to speak, between the upper and nether millstone. They planted and grew a crop last year at extraordinary cost which they were forced to market at a great loss, and this year's crop does not have much value just now as a basis for credit, and it is difficult indeed for the farmer or producer to get money to pay the expenses of running his farm or to pay the indebtedness against it.

The gentleman from New Jersey [Mr. PARKER] just a moment ago voiced his opposition to this bill and gave as a reason that we would have to raise a certain amount of revenue within the next two years to meet expenses of the Government and discharge the maturing Government obligations, and he correctly placed this amount at a very large figure; but he does this bill an injustice by assuming that it will call for an appropriation when, as a matter of fact, no appropriation whatever is contemplated. I want to say further to the gentleman from New Jersey that one of the best ways to meet the needs of the Government is to encourage the basic industry of this Nation in such a way as to permit our farmers and producers to survive and prosper, and all other industries will likewise survive and prosper, and we will thus produce sufficient taxes to meet the running expenses of our Government. [Applause.]

Those familiar with the live-stock industry in the South and West know that the herds are being rapidly depleted, because the owners have not the money to finance their business and to pay their debts. They have been caught in the depression and their products have not furnished sufficient security to enable them to borrow the money necessary to meet the condition of emergency into which they have been so suddenly thrown, and this law and the passage of this bill will carry relief to many of them. If something is not done, many farms, ranches, and herds will go under the hammer and be sold at public auction at a tremendous sacrifice.

This is indeed a critical time in our history. It is a time when it is necessary for us to aid in every way possible those who have suffered so much by reason of the sudden deflation in the Nation's currency, and I for one am glad that this bill has been reported by the committee. I am glad it comes with a strong indorsement from almost the entire membership of the committee, and I sincerely trust that the Senate provision will be retained in the bill and that \$50,000,000 instead of \$25,000,000 will be made available for the purpose of loaning money to those who are so much distressed financially just at this time. Since it calls for no direct appropriation and makes no public charge upon the Treasury, I fail to see how any man can oppose the bill or deny the relief that it seeks to give. [Applause.]

Mr. WINGO. Mr. Chairman, how much time does the gentleman yield back?

The CHAIRMAN. Two minutes.

Mr. WINGO. I yield one minute to the gentleman from Mississippi [Mr. COLLINS].

The CHAIRMAN. The gentleman from Mississippi is recognized for one minute.

Mr. COLLINS. Mr. Chairman, this bill as passed by the Senate authorizes the Secretary of the Treasury, in his discretion, to deposit with the Federal Farm Loan Board for its temporary use any moneys in the Treasury which have not already been appropriated, to the extent of \$50,000,000 and at an interest rate of 5½ per cent. When the bill reached this House, the Committee on Banking and Currency cut the amount of this loan from \$50,000,000 to approximately \$25,000,000, and, since an amendment has been presented restoring the amount in the Senate bill, we are now to choose between these amounts. I am in favor of the larger amount. I would, in fact, be in favor of making it \$100,000,000 or more, and my reasons are these:

The Treasury now deposits its moneys in banks and elsewhere, and the largest amount of interest it receives for any of these moneys is 2 per cent. To-day there are in special depositories \$542,000,000, and these depositories pay the Government only 2 per cent interest. Deposited in Federal reserve banks are \$75,000,000, while in foreign depositories there are \$53,843,000, and so on. I see no reason why it is not to the advantage of this Government to get the highest possible rate of interest out of this money. The highest interest now paid for it is 2 per cent, while this bill authorizes the Federal farm loan banks to pay 5½ per cent. From the standpoint of good business it behooves the Government to take advantage of this higher interest rate, and from this standpoint alone, I can hardly see how an unselfish Member of this House can oppose the bill as it passed the Senate.

If the money in question belonged to an individual Member of this House or to a private corporation of which he was a stockholder, does anyone believe that he would be content to its loan at 2 per cent when a larger interest could be obtained?

No; this is not the belief of the people; and because of the too frequent examples of a regard for the governmental interests that is more careless than the regard for personal gains there is steadily growing throughout the country a distrust of the Congress and its Members.

In addition to this, it is necessary and vital for the Federal farm loan banks to have additional capital. There are now pending the applications of farmers for loans amounting to over \$140,000,000. On account of the hostile attacks made upon these banks in the courts and elsewhere by selfish interests, their operation has been stopped for about a year and a half, and during that period they have made no loans nor sold bonds nor increased their capital stocks. Because of the tightness of money, their bonds are not now readily salable and it is necessary for their life that they begin to function, and that immediately, for the public good. A substantial loan to them by the United States Treasury will enable them to quicken into business again and function until their capital is large enough for them to stand alone.

In addition to this, the farmers of the country need, and need badly, all the help that can be rendered them. Everyone on this floor admits that farming is the basic industry of this Nation; that upon that industry depends the very existence of

the Nation. Everyone is loud in praise of the patriotism and labor of the farmer. All render him mouth service, but when it comes to extending to him material aid there is failure on all sides. I think it behooves the farmer to be up and doing in the matter of organization. As other industries have done, he will have to organize in order to present his proper demands and put to an end the unjust discrimination that has been meted out to him by his Government. He should not have to come to this Congress on bended knees begging for a mite when he is entitled to so much. I do not believe, however, that the farmer will ever secure all that he deserves until he is organized as are the railroad workers to-day. Then will his influence be felt and his condition materially improved.

The railroads have had handed to them billions of dollars by this Congress. Every demand made by them has been granted. The Esch-Cummins law requires us to pay them millions of dollars annually on watered stock—stock that does not represent a penny of investment. The packers and the other trusts and combinations get pretty well what they want out of Congress. Compare what these concerns secure with what has been done for the farmer in recent years. They have reaped substantial benefits and subsidies while he has futile promises and empty praise. It has been stated that the farmer has capital investments now of \$80,000,000,000, and in this he received during the past year no returns, although mortgages on this called for large interest amounts. This condition, of course, makes him worse off now than he was last year. The investments of all other businesses were about double the capital of the farmer and yielded a return of over \$20,000,000,000. It is not mere luck that makes this vast and unfair difference in the profits of the two classes. It has also been said that the total rediscounts of the Federal farm reserve banks were \$14,000,000,000, and of that amount agriculture received 14 per cent; manufacturing, 21 per cent; merchandising, 26 per cent; speculation and miscellaneous, 39 per cent. Consider that of the primary deposits in all of the banks of the United States agriculture furnishes approximately 50 per cent; labor, 20 per cent; and all other businesses, 30 per cent. Upon these facts agriculture, entitled to more than merchandising and manufacturing combined, should have received \$7,000,000,000, but instead it only got a paltry \$2,000,000,000. The law which permits the Federal reserve allotment of credit is unfair to agriculture, and more than this, it has the direct and arbitrary purpose and effect of forcing a deflation in farm prices. The law which permits this credit monopoly should be changed. The farmer is made to sell his stuff. Not only can he not secure a loan on it but the credit that is denied him is freely extended those who want to fleece him. Ample loans are made to businesses inimical to the welfare of the farmer, and this, too, by governmental agencies which should be fair and impartial in dealing with all classes of industries and citizens.

Every other industry except farming secures practically everything that it wants out of this Government. This is one of the first instances where the farmer has had a chance to secure that which is his due, and I think common decency requires this House to give him the Senate bill instead of the House bill. [Applause.]

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. McFADDEN. Mr. Chairman, I yield one minute to the gentleman from Illinois [Mr. KING].

The CHAIRMAN. The gentleman from Illinois is recognized for one minute.

Mr. KING. Mr. Chairman, there is no doubt that members of the Farm Loan Board are absolutely in favor of this proposition. It is not being crammed down their throats, but it is fully acceptable to them. I spoke personally to Judge Charles E. Lobdell and to Mr. Asbury F. Lever in the committee room, and they recited what has already been stated to the committee, that the bill as recommended by the committee is to their satisfaction.

The gentleman from Louisiana [Mr. WILSON] expressed some doubt as to whether the farmers' credits were deflated deliberately or not. I want to state to the gentleman from Louisiana that last September—and the proof of it would be forthcoming if this House should grant the passage of a simple resolution to give authority to investigate how the Federal Reserve Board has been functioning in the last few years—I say in September last they deliberately sat down to their table resolved to deflate the farmers' credits.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. McFADDEN. I yield to the gentleman one minute more.

Mr. KING. They sat around the board table, a secret board, a star-chamber proceeding; the Federal Reserve Board sat

down to their table—the board that regulates the price of commodities as well as the rates of interest in this country—and Mr. Harding, the president of the board, opened the meeting, not with prayer but by suggesting deliberately, "I presume, gentlemen, we are all agreed that it is better to be unanimous than to be right." [Laughter.] I have made that statement before. The board was unanimous, and the farmers' credits were then and there deflated.

Now, Mr. Chairman, my time being about expired, I shall take advantage of the consent of the House to extend my remarks in the RECORD.

The CHAIRMAN. The gentleman already has that privilege.

Mr. KING. I so understand.

Mr. WINGO. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. The gentleman has 20 minutes.

Mr. WINGO. I yield two minutes to the gentleman from Alabama [Mr. BOWLING].

The CHAIRMAN. The gentleman from Alabama is recognized for two minutes.

Mr. BOWLING. Mr. Chairman, this bill in effect provides for a working capital for the farm loan banks by authorizing the Secretary of the Treasury to deposit public funds with these banks in amount equal to the difference between the capital of the banks and \$50,000,000. It will be observed there is nothing mandatory in the proposed bill, but a declaration that the Secretary of the Treasury may "in his discretion" make these deposits.

There is a great and pressing necessity for this legislation, owing to the extraordinary financial depression now on in the agricultural sections of the country.

There are some strange features about the farmer's business in the United States. Farmers are urged to be industrious, and they are, necessarily. The Department of Agriculture is spending great sums of money to teach more intensive and more scientific farming, and yet a strange result appears; that is, that the more the farmer makes the less he gets for it. If the cotton farmers make a 10,000,000-bale crop they get more for it than they get for a 15,000,000-bale crop. When he makes a great crop they say he has overproduced, and when he makes a small crop he is told to make more. I think this bill will aid somewhat, but it can not possibly relieve the situation as it should, because the amount of money is entirely inadequate. Yet it is a step in the right direction, and for that reason I favor it, not that I am satisfied with it. I would prefer to see inserted here a greater sum.

The statement of the gentleman from New Jersey [Mr. PARKER] that the Government can not afford to advance this money does not strike me with much force. I would rather see in this bill a direction to the Secretary of the Treasury to do this than to see in it a mere authorization. While he may go on and do it, the financial situation is so complicated that he might fail to do it and yet have a good reason to assign for not doing it. I have heard so much in the last few months about departments and governmental agencies violating the law, and about the General Staff of the Army doing this and that and the other thing, that I would like to see inserted in this bill, which is of importance to the farmer, a specific direction that can not be escaped.

There is a situation that is illustrated by a little story that came up from the war. A drafted man was having his questionnaire filled out, and the friend who was assisting him came to this particular question: "Have you any dependent relatives?" The reply was: "Yes; I have plenty of relatives, but you can not put any dependence in them." [Laughter.] That is the situation that sometimes comes to us when we contemplate legislation through a commission or giving somebody discretion to do something. We may be pardoned for being a little suspicious when we consider how often the farmer has been made the goat. Last year was the most expensive year that the farmers of the South ever knew, and that year cost more than any other on account of the artificial restrictions which were created by the Federal banking system. It was intended that the system should be a great agency for making an elastic currency and giving opportunity for the movement of crops at gathering time; but last fall right at the time when a great amount of money was needed the supply was cut off, and this artificial restriction of credit has put into bankruptcy thousands and tens of thousands of people in the United States.

This little measure of relief is just simply a mere dole coming apparently grudgingly from the Congress of the United States. The farmers have not enough friends at court. This is one trouble. As the gentleman from Mississippi [Mr. COLLINS]



suggested here a while ago, other interests have been taken care of and have usually received about what they asked for when they came to Congress, but the voice of the farmer is lost in the clamor for assistance coming up from other industries in the land. I think we ought to go just as far as we possibly can in giving this assistance, and not grudgingly, as it is given by Congress.

I have never been able to understand why the farmer has to assume the rôle of a mendicant and adopt the tone of a beggar when he asks Congress for some relief. Is not his the foundation industry of the world? Have we forgotten the appeal made to him when we were at war to produce as largely as possible? And have we forgotten how nobly he answered the appeal by producing the greatest crop in all history?

And this notwithstanding the fact that millions of young men had been withdrawn from industry and inducted into the Army and Navy.

The transportation systems received their millions when they asked for them. The national banks have for a generation been the recipients of valuable favors from the Government in the way of deposits at low interest rates. Now we have an opportunity to assist the farm loan banks, and we should do so, gladly and liberally.

Let us recall to-day that the crop of 1920 cost more to produce than any other crop ever raised. This is certainly true of the cotton crop. Wages, fertilizer, tools, transportation, everything that entered into the industry was at the highest level. The cotton crop cost from 25 to 30 cents per pound to put it on the market, where, instead of a profit, the cost of production could not be had. It is to-day a drug on the market at 11 cents per pound, and bankruptcy threatens thousands.

We are told that there is too much gold in America; that we now have more than three and one-half billions of the world's supply. With this enormous money supply, entirely sufficient for every legitimate business in America, there not only exists no reason for the present money stringency but its presence amounts to a national scandal. Somebody is "playing horse" with the American people.

It has been estimated by the National Farmers' Union that the present financial depression has cost the farmers \$7,000,000,000—an amount equal to nearly one-third of the national debt.

This is a loss so serious, so far reaching in its influence, that its cause should be accurately determined and the responsibility forever fixed, to the end that it may not again occur.

It appears to me that the principal causes are well set forth in a recent bulletin of the Farmers' Union, from which I quote the following:

The farmer produced his last crops under the most expensive conditions and at the greatest cost, but has been obliged to dispose of them at deflated prices and has sustained to date a total loss of \$7,000,000,000. The principal direct causes for these losses are as follows:

1. Unnecessary profiteering of middle men, which includes speculative gambling.
2. Arbitrary restriction of credit by the Federal reserve bank and the holding up of the Federal land banks by litigation.
3. The unreasonable rise in railroad rates.

Of these three reasons I would call special attention to No. 2. Credit is capital; credit is the life of business, for the simple reason that there is not sufficient money in the world to do business on a cash basis. The establishment of the Federal reserve banking system, with its regional banks located at convenient points, with the power and resources of the Government behind the system, was hailed as the dawning of a new era, when an elastic currency would be provided, always sufficient for every emergency and automatically responding to the demands of business.

The system proved its worth in the war when unprecedented demands were met and the greatest war in history was financed without a suggestion of lack of money.

This great system was not organized primarily for the purpose of making money, but the profits in 1920 were \$120,000,000.

It would seem that if the Federal reserve could function so smoothly and with such astonishing success in war it would be able to do even better in peace, and so secure a lasting prosperity to the people. Instead of that we find that last fall, just at the time when the crops began to move, just when credits should have expanded, there was, for no good reason, such an artificial restriction of credit as to result in the almost complete cessation of business and the financial ruin of thousands. It was unthinkable that such a thing should be deliberately done, yet the evidence leads to no other conclusion. Some of the results of this almost criminal action of the Federal Reserve Board may be seen in the fact that cotton dropped from \$150 per bale to \$50, wheat from \$2.50 per bushel to \$1.30, corn from \$1.50 to 61 cents, and all along the line is the same story of wreck and ruin.

The policy of "deflation" or "liquidation" was made in face of the fact that the farmers furnished one-half of the money deposited in the banks. But although he furnishes one-half, does he get one-half when he goes to borrow? No, verily! Instead of 50 per cent, to which he is entitled by every rule of right, he is allowed only 14 per cent, while the manufacturer, who is entitled to 21.4 per cent, gets 21 per cent; the merchant gets 26 per cent; and speculation and miscellaneous applications get 39 per cent.

The amount loaned speculators allowed them to speculate in wheat and thereby cause wheat growers a loss of 70 cents per bushel. They speculated in cotton and cost the cotton producer a loss of \$75 to \$100 per bale.

These are some of the reasons why agriculture languishes to-day and why from all over the land there comes an insistent cry for relief.

The bill under consideration affords a small measure of relief, little enough, in all conscience; but, small as it is, it is welcomed. I understand that an amendment will be offered increasing the available deposit to one hundred million. I shall support it heartily, and hope it will be adopted.

The Federal land bank has become an integral part of our financial system. The farm loan system is an established fact. As such it is the duty of everyone to support it heartily. To my mind it is one of the most commendable features of our financial system. Land furnishes the world's best security, and a bond backed by land is as safe as the Government. This bill appropriates no money and will cost the Government nothing. On the other hand, it will be a safe investment, returning a small but certain interest.

I trust this legislation will pass, and that soon we may have an opportunity to consider other legislation affording additional relief to the innocent victims of a useless money panic.

Mr. WINGO. I yield five minutes to the gentleman from Texas [Mr. BRIGGS].

Mr. BRIGGS. Mr. Chairman and gentleman, I hope that the House amendment, reducing, by nearly \$25,000,000, the amount carried in the Senate bill, will be voted down. I think the Senate bill ought to be adopted without amendment. I think this Congress ought to provide a revolving fund of \$50,000,000 for this purpose. It is variously estimated that the number of applications for loans is extremely great, amounting in the aggregate to from \$75,000,000 to possibly \$300,000,000. The \$25,000,000 provided in the House amendment, added to the capital of the farm loan banks will not in my opinion be enough to meet this situation. I believe that this Congress should readily make proper advancements to such banks for the farmers of the United States in their present distressed condition. The letters and information which I have received indicate the most deplorable state of affairs. If this Nation is going to hold the farmers of the United States upon the farms and is going to be able to depend upon them to continue to produce the food supply and the clothing materials for the people of the United States, it must come to their relief. This relief is already too belated. It ought, as stated, to be forthcoming, not only to the extent provided by the House amendment, but to the extent provided by the Senate bill, or perhaps even a greater amount, as it would be if the Congress of the United States could be made to realize just what the true conditions are.

Few measures thus enacted for the benefit of the agricultural interests of this country have resulted in as much good to the farmers and the rest of the people of this Nation as has the Federal farm loan act passed by a Democratic Congress in 1916. Up to that time the farmers of the United States had been at the mercy of the loan sharks and all others who sought to exact from them the very last penny of interest which could be possibly squeezed out of such borrowers who were compelled by reason of reverses or other necessity to obtain loans at no matter what sacrifice or cost.

After the passage of the farm loan act and as soon as the banks and associations provided for therein could be organized and put into operation, the days of extortion in interest rates, with the consequent absorption, in cases of default, of all the property pledged for payment, almost completely passed away, until the same interests framed an assault upon the constitutionality of such law and caused practically suspension of the farm loan banks for over a year or more, when the Supreme Court of the United States upheld the act in every particular.

During such time, when the validity of the farm loan act was under fire by selfish and sordid interests, it was impossible for the farm loan banks to function because of the uncertainty in the minds of the people as to the ultimate action of the Supreme Court of the United States, and the reluctance of the last Republican Congress to sufficiently assist the farm loan banks to

tide over, in any adequate degree, the difficulties which they and their borrowers were encountering.

The loan sharks and exploiters were again in the saddle, not only refusing to lend farmers money except upon most exorbitant rates of interest and excessive costs of consummation of loans, but also demanding that such loans should be for unreasonably long periods of time—often for 10 years or more; so that even when the Supreme Court of the United States had decided the test case involving the constitutionality of the farm loan act, that the farmers could not even then escape from the clutches of the extortioners and obtain the benefits of the lower rates of interest and extremely favorable conditions of repayment of loan offered under the farm-loan system.

To give some idea of the tremendous demand among the agricultural interests for loans, I call attention to what the chairman of the Committee on Banking and Currency has just announced on the floor of the House, in response to a question from me, that it was impossible now to obtain accurate information as to the amount of pending loans applied for, but that the estimate of the same was all the way from \$75,000,000 to \$300,000,000. This emphasizes the tremendous need of the farmers of this country for the credit facilities provided by the farm loan banks. Of course, the powers granted to such banks do not include power to make loans for many other needs of the farmers, which must be supplied through other banking agencies.

The tremendous depreciation which has manifested itself throughout the whole country and which has visited upon the agricultural interests, particularly, the very heaviest of burdens has resulted in increasing the need of the farmers for adequate credit and credit facilities to enable them to tide over the disaster with which many of them have been and are still threatened. We all realize how nobly and wonderfully they responded to the call of the country for bumper crops, not only during the period of the war but since such time, and it surely behooves the Government to do its part in helping the farmers now.

What does this bill propose to do? Simply to deposit in the farm loan banks in the various banking districts throughout the United States the sum of approximately \$25,000,000 to enable such banks to make loans to prospective borrowers without waiting until the necessary farm loan bonds can be sold in the market. The advances—and that is all they are—by the Government under this bill must be repaid just as soon as the farm-loan bonds have been sold; and for such accommodation the borrowing banks must pay the Government a rate of interest a half a cent higher than the interest provided for in the bonds, as well as fully securing the Treasury by the pledge of such bonds, with mortgage security, equal to the advances made.

I must say that I can see nothing particularly generous in the action of the Government as reflected in this bill. It is purely a business transaction which operates to the pecuniary advantage of the Government, even though it provides an accommodation in a limited degree to the farm loan banks and their prospective borrowers. In fact, the interest charge against the farm loan banks is about  $3\frac{1}{2}$  per cent greater than that made by the Government against national banks for deposits of Government funds. Of course, these interest charges must be absorbed by the farm loan banks and transferred to their borrowers as a part of the cost of loans.

I do not believe that this exaction ought to be made by the Government, and particularly when the amount to be advanced is as small as that carried by the House amendment to the Senate bill.

The Senate undoubtedly gave this matter most careful consideration before passing the measure, which, as enacted by that body, carried an advancement of \$50,000,000 to the farm loan banks instead of only a trifle over \$25,000,000, as provided by the House amendment. Certainly \$50,000,000 is little and inadequate enough when it is considered that the pending applications for loans amount, probably, at a conservative estimate, to \$150,000,000.

The Treasury does not stand to lose a dollar. It has the greatest gold reserve in the history of the Nation. The preservation of the great agricultural interests of this country is at stake.

Certainly you gentlemen of the majority party in control of Congress and of the Government are not going to sit here and provide appropriations of over three-quarters of a billion dollars for armaments and agencies of destruction of both life and property, as an actual expenditure, and refuse to provide a temporary loan of only \$50,000,000 for one of the greatest constructive industries of the Nation, and which may be the means of saving from calamity the great farming industry of this country.

The cost of a single great battleship, such as the Government is building to-day, with her armament, amounts approximately to \$40,000,000, a sum almost inconceivably large to the average mind which is not conversant with the tremendous costs of modern ships of war. And when it is considered that the chairman of the House Committee on Naval Affairs recently stated to me on the floor of this House that the cost of completing the present naval building program alone would amount to something between \$800,000,000 and \$900,000,000, without reference to maintenance costs, it is easy to realize why the people, with a national debt already of approximately \$25,000,000,000, are getting restless under the weight of the crushing load of taxation necessary to keep up such implements of war, especially when it is so difficult even to get loans from the Government upon gilt-edge security to promote the constructive works of peace as reflected in the development of products of the soil and trade of the Nation along all lines.

Not two months ago the Republican majority, through the committee in charge of appropriations for the Army, brought into this House the Army appropriation bill providing \$83,000,000 to pay for the enlisted personnel of an Army which was larger by 18,000 men than was provided for just two months before in the same measure as passed by the House during the last session of the Sixty-sixth Congress, but which finally failed to pass and had to be reintroduced at this session of the new Congress. Of course, the \$83,000,000 was not the full sum carried by the Army appropriation bill. That amounted to approximately \$325,000,000. But what I refer to specifically is the increase of \$10,000,000 provided in the same Army appropriation bill as reintroduced in this session of Congress over and above the sum provided for the same purpose in the same bill at the last session of the Sixty-sixth Congress.

At that time the present chairman of the subcommittee, Mr. ANTHONY, in charge of the Army appropriation bill, reported an appropriation of \$72,678,659, which was sufficient to provide for an enlisted personnel of 150,000 soldiers, exclusive of the Philippine Scouts and flying cadets. It was urged by him and the leaders on his side that an Army of that size was ample; but a little more than two months later the same Appropriations Committee has urged upon this Congress an Army of 168,000 men, at an increased initial cost to the Nation of over \$10,000,000 a year, without reference to the added and incidental cost to be borne by the people by reason of such increase in the Army, and without showing any necessity therefor.

It is to the credit, however, of the small Democratic minority, aided by a number of Republicans who refused to be bound by any such plan for a larger standing Army, that the House of Representatives, by a close vote, rejected the provision for increasing the Army to 168,000 men and restored the reduced amount carried in the same bill at the last session, providing for an Army of 150,000 enlisted men. Even then, with the Philippine Scouts, flying cadets, and officers, the size of the Army would be approximately 175,000 men, almost twice as great as it was before the World War.

Although the Senate sought to raise the size of the Army to 170,000 men, with the necessary increase of appropriation therefor, the bill as it finally came out of conference between the House and Senate resulted in a compromise, which, through the firm stand taken by the Democratic minority, with the aid, as stated, of certain Republicans, effected a saving of \$5,000,000 to the people. But even the final sum of \$77,000,000 provided for enlisted personnel was \$5,000,000 more than ought to have been carried in the bill, which provides in all more than \$323,000,000 for the Army.

To see if a halt or reduction could not be made in the continuance of the enormous costs and program of naval armament, and in view of the expressed willingness of other great nations to view such proposal with favor, amendments were proposed by two Democratic Congressmen to the naval bill when it was recently before the House for consideration, requesting that the President should call a naval disarmament congress of the nations without delay, so that it might be determined if some agreement could not be reached whereby each nation of especially great naval power should pledge its assent to a substantial reduction by it of its naval program and armaments, with the attendant relief from a vast burden of taxation and cost from the backs of the people.

In spite of the fact that such appropriation bill carried over \$400,000,000 for the next fiscal year, the majority party succeeded in preventing consideration of all but one of such amendments through points of order, and then voted down the only amendment allowed to come before the House for its consideration.

In the Senate, however, Senator BORAH, who offered an amendment substantially similar, but of a more limited nature, authorizing and requesting the President to invite the Govern-



ments of Great Britain and Japan to a disarmament congress for the mutual reduction of armament, was more fortunate and secured the adoption of his amendment by the Senate. This amendment, as you know, the conferees of both the House and Senate have finally agreed to report back to the House of Representatives for adoption or rejection, and I sincerely hope that the Democratic support which it will receive will be increased by enough Republican votes to insure its passage.

It is worthy of special attention that any effort to hold down increases in the already vast appropriations for armaments and the machinery of war encounters a most desperate resistance in Congress, even though the United States has the greatest available number of trained fighting men of any nation on earth, most of whom are veterans of the World War, who have returned to peace-time pursuits.

I believe that the American people expect Congress to adequately provide for the defense and protection of the Nation, both on land and sea; but I do not believe that the people will sanction vast expenditures designed only to build up a vast war machine, the only effect of which will be to ultimately crush the people with its staggering cost.

But even though there are those who still insist upon the policy of postponing a conference of the nations to bring about an agreement on disarmament even to a limited extent, and propose to continue the great armament expenditures under which the Nation now labors, which conservatively figured, and including expenses incident to wars, amounts to 80 per cent of all our national expenditures, yet I insist that the producers of this country ought then to have even a greater right to all possible encouragement and assistance by the Government through the farm loan banks and other agencies to obtain adequate credit, so that they may continue to produce the raw materials and products of the farm upon which the Nation depends for both food and raiment, and make possible the continuance of our industries as well as our domestic and foreign trade. Nations, like individuals, must produce and earn in order to pay their debts.

It must be apparent, also, to every one that not only is there necessity for advancements of loans for the benefit of producers in line with the purpose of this bill, but that beyond that, and of transcendent importance, is the necessity for the development especially of foreign markets for the surplus crops and supplies of this Nation.

There is no question but what the demand therefor exists in the highest degree, especially among the countries of Europe, but it is also obvious that those nations are in such serious financial difficulties that it is becoming increasingly difficult all the time for them to finance the purchases of American commodities which they desire to make. Not only their vast expenditures and losses growing out of the war contributed to their present financial condition, but the unstable political and governmental conditions have also played and continue to play a large part in preventing early financial recovery. The depreciation in the value of the money of such nations has, of course, reduced their purchasing power tremendously; and even at the greatly reduced prices of American farm and other products the depreciation in the value of their money is so great that it is yet impossible for such nations to purchase anything like the amount of American supplies which they so badly need. Although many of the policies pursued by you gentlemen of the majority party do not seem to have been formed and followed with a full appreciation of the present threatening economic situation, yet it does appear to have been grasped by the Comptroller of the Currency, Hon. D. R. Crisinger, who, in a recent address before the New York Bankers' Association, said:

We need to increase our exports, but in our new quality as a great creditor country we find it more difficult than ever to export more than we import. The difficulty is increased by the fact that our money is the best in the world—the most expensive. On a gold basis 5 Italian lire would buy a dollar's worth of goods from us. But the lira is so depreciated that it takes more, nearly 20 now, to buy a dollar. Naturally the Italian wants to buy in a market where he gets more for his money; and our money being at the top of the entire heap, they are all trying to get things somewhere else rather than from us.

The facts appear to justify the conclusion of the Comptroller that foreign nations "are all trying to get things somewhere else rather than from us." Of course, there are certain commodities, like cotton, which foreign nations must have which are not raised in sufficient quantity elsewhere to enable them to secure a supply, and hence they are bound to buy from us or do without. But even with respect to such commodities the decrease in purchases has been enormous.

The New York Times under date of June 12, 1921, called attention to the alarming decline in our foreign trade, and the statement is of such interest that I feel it fully worth while to include it in my remarks:

[Special to the New York Times.]

GREAT DECLINE IN OUR FOREIGN TRADE—MAY IMPORTS DOWN \$48,000,000 FROM APRIL AND \$223,000,000 FROM MAY, 1920.

WASHINGTON, June 11.

The Department of Commerce made public to-day figures which show that the value of imports and exports dropped off radically during May of this year as compared with May, 1920. Both imports and exports decreased more than \$1,000,000,000 for the 11 months ending with May, 1921, as compared with the same period in 1920. The following tables give the picture:

	MAY.	
	1921	1920
Imports.....	\$208,000,000	\$451,004,944
Exports.....	330,000,000	745,523,223
Excess of exports.....	122,000,000	314,518,279

#### 11 MONTHS ENDING MAY.

	1921	1920
Imports.....	\$3,471,876,268	\$4,685,748,580
Exports.....	6,179,603,978	7,479,611,906
Excess of exports.....	2,707,727,690	2,793,863,326

The decrease in exports for the 11 months' period ending May, 1921, is shown to be \$1,300,007,928 and the decrease in imports \$1,213,870,292.

The department also presents detailed tables showing the value of exports and imports since July, 1918. The figures for exports from December, 1920, show the steady decline which has occurred since that time. They follow:

December, 1920.....	\$720,286,774
January, 1921.....	654,271,423
February, 1921.....	486,281,597
March, 1921.....	386,680,346
April, 1921.....	340,338,729
May, 1921.....	330,000,000

The change in import figures has not been so startling. In December, 1920, the value was put at \$266,057,443. For the following months the valuations were: January, \$208,796,989; February, \$214,529,680; March, \$251,969,241; April, \$254,597,362; May, \$207,000,000.

Statistics for the imports and exports of gold show that for the 11 months ending May, 1921, imports were \$602,817,925, as compared with exports of only \$132,764,209, the increase of imports over exports being \$470,053,626.

For the 11 months ended May, 1920, imports of gold were only \$123,775,217, as compared with exports of \$461,100,731, showing an excess of exports over imports of \$337,325,514.

Imports of gold for the 11 months' period ending May, 1921, showed an increase, as compared with the exports for the corresponding period in 1920, of \$479,042,708, and the exports for 1921, as compared with 1920, showed a decrease of \$328,336,422.

Imports of gold for May, 1921, were \$58,209,918, as compared with \$15,687,859 for May, 1920. Exports were only \$1,062,521 in May, 1921, as compared with \$7,561,083 in May, 1920.

The great influx of gold into the United States began in October, 1920, when gold imports reached \$116,762,001. For the following months the import figures were:

October, 1920.....	\$116,762,001
November, 1920.....	56,889,037
December, 1920.....	44,660,488
January, 1921.....	38,145,001
February, 1921.....	44,238,147
March, 1921.....	87,371,598
April, 1921.....	92,236,175
May, 1921.....	58,209,918

Imports of silver for the 11 months ended May, 1921, were \$55,805,359, as compared with \$96,337,935 for the same period in 1920. Exports fell off sharply, however, dropping to \$51,112,161 as compared with \$174,621,640 during the 11 months' period in 1920. The imports of silver, therefore, showed an excess over exports of \$4,693,198, as compared with an excess of exports for the same period in 1920 of \$78,283,711.

The country's foreign trade in merchandise in May compares with the preceding month and with the same month last year as follows:

	May, 1921.	April, 1921.	May, 1920.
Exports.....	\$330,000,000	\$339,914,967	\$745,868,402
Imports.....	208,000,000	254,571,024	431,004,555
Excess exports.....	122,000,000	85,343,963	314,863,846

The May results compare with preceding months of 1921 and 1920 as follows:

	Exports.	Imports.	Excess exports.
May, 1921.....	\$330,000,000	\$208,000,000	\$122,000,000
April, 1921.....	339,914,967	254,571,024	85,343,963
March, 1921.....	386,811,138	251,988,741	134,822,397
February, 1921.....	489,297,067	214,525,137	274,771,930
January, 1921.....	654,740,158	208,814,382	445,925,776
December, 1920.....	720,852,515	266,112,819	454,739,696
November, 1920.....	676,703,011	321,181,080	355,521,931
October, 1920.....	751,728,570	334,263,803	417,464,767
September, 1920.....	605,291,257	363,666,710	241,624,547
August, 1920.....	579,652,607	513,560,615	65,091,992
July, 1920.....	651,381,827	537,170,351	114,211,476
June, 1920.....	631,082,648	552,875,088	78,207,560

Export and import trade in merchandise for the 11 months ended with May, 1921, compare with the same period in a series of years (000 omitted):

	Exports.	Imports.	Excess exports.
1921.....	\$6,180,000	\$3,472,000	\$2,708,000
1920.....	7,480,761	4,685,746	2,795,015
1919.....	6,304,419	2,802,804	3,501,615
1918.....	5,435,911	2,685,305	2,750,606
1917.....	5,720,026	2,352,701	3,367,325
1916.....	3,888,796	1,952,088	1,936,708
1915.....	2,500,041	1,516,474	983,567
1914.....	2,207,507	1,736,454	471,052
1913.....	2,302,479	1,681,762	620,716

The May trade in gold compares as follows with the preceding month and with the same month last year:

	May, 1921.	April, 1921.	May, 1920.
Exports.....	\$1,062,521	\$383,787	\$7,561,683
Imports.....	58,209,918	88,143,275	15,687,859

It will be noted from such statement that the decrease in exports for the 11 months' period ending May, 1921, is shown to be the vast sum of \$1,300,007,928, and a decrease in imports during such period of \$1,213,870,292. These figures illustrate in a most illuminating way how dependent the success of our export trade is upon being able to effect exchanges for needed commodities of other nations, when they have neither money nor credit with which to buy our goods. It harkens back to the period of elemental trade, upon which, after all, the whole fabric of commerce rests.

The existing situation is even more concretely illustrated by the report of the Census Bureau on June 15, 1921, with reference to the domestic consumption of cotton and exports thereof, which I present herewith for your consideration.

#### PRELIMINARY REPORT.

#### DEPARTMENT OF COMMERCE, BUREAU OF CENSUS.

Washington, D. C., June 15, 1921—10 a. m.

Cotton consumed, cotton on hand, active cotton spindles, and imports and exports of cotton for the month of May, 1921 and 1920, with statistics of cotton consumed, imported, and exported for the 10 months ending May 31.

[The statistics of cotton in this report are given in running bales, counting round as half bales, except foreign cotton, which is in equivalent 500-pound bales.]

COTTON CONSUMED AND ON HAND IN SPINNING MILLS AND IN OTHER ESTABLISHMENTS, AND ACTIVE COTTON SPINDLES (LINTERS NOT INCLUDED).

Locality.	Year.	Cotton consumed during (bales)—		Cotton on hand May 31—		Cotton spindles active during May (number).
		May.	10 months ending May 31.	In consuming establishments (bales).	In public storage and at compresses (bales).	
United States.....	1921	1,439,884	4,016,117	1,279,314	1,479,851	32,631,051
	1920	541,377	5,339,090	1,698,833	2,586,868	34,069,744
Cotton-growing States...	1921	268,131	2,479,665	573,350	4,237,199	14,661,891
	1920	310,516	2,974,534	878,224	2,264,207	15,064,889
All other States.....	1921	171,753	1,536,452	705,964	482,652	17,969,160
	1920	230,861	2,364,556	820,609	322,661	19,004,855

<sup>1</sup> Includes 19,246 foreign, 1,835 Am.-Eg., and 1,147 sea island consumed, 100,783 foreign, 7,850 Am.-Eg., and 6,005 sea island in consuming establishments, and 99,885 foreign, 40,096 Am.-Eg., and 7,438 sea island in public storage. Ten months' consumption: 174,607 foreign, 12,460 Am.-Eg., and 16,034 sea island.

Linters not included above were 47,365 bales consumed during May in 1921, and 32,072 bales in 1920; 215,883 bales on hand in consuming establishments on May 31, 1921, and 282,881 bales in 1920; and 269,198 bales in public storage and at compresses in 1921 and 393,372 bales in 1920. Linters consumed during 10 months ending May 31 amounted to 412,038 bales in 1921 and 269,655 bales in 1920.

#### Imports and exports of cotton and linters.

Country of production.	Imports of foreign cotton during (500-pound bales)—			
	May.		10 months ending May 31—	
	1921	1920	1921	1920
Total.....	10,542	15,767	212,784	651,591
Egypt.....	6,369	6,890	76,512	463,582
Peru.....	2,474	2,053	21,489	59,177
China.....	99	4,427	13,785	41,407
Mexico.....	625	163	88,130	64,256
All other countries.....	975	2,229	12,868	23,169

#### Imports and exports of cotton and linters—Continued.

Country to which exported.	Exports of domestic cotton and linters during (running bales)—			
	May.		10 months ending May 31—	
	1921	1920	1921	1920
Total.....	1,477,389	1,364,904	14,701,671	16,145,057
United Kingdom.....	159,104	121,031	1,515,047	2,936,571
France.....	39,554	20,998	514,577	546,236
Italy.....	22,875	32,714	448,391	523,996
Germany.....	95,633	42,017	985,960	374,584
Other Europe.....	44,004	66,308	573,776	750,564
Japan.....	88,503	66,895	429,431	817,909
All other countries.....	27,716	14,941	234,489	195,197

<sup>1</sup> Figures include 4,340 bales of linters exported during May in 1921 and 5,550 bales in 1920 and 41,415 bales for the 10 months ending May 31 in 1921 and 45,686 bales in 1920. The distribution for May, 1921, is as follows: United Kingdom, 9; France, 366; Germany, 1,425; Netherlands, 1,272; Canada, 1,213; Mexico, 50; Cuba, 5.

World statistics: The world's production of commercial cotton, exclusive of linters, grown in 1920, as compiled from published reports, documents, and correspondence, was approximately 19,830,000 bales of 500 pounds net, while the consumption of cotton (exclusive of linters in the United States) for the year ending July 31, 1920, was approximately 18,451,000 bales of 500 pounds net. The total number of spinning cotton spindles, both active and idle, is about 154,600,000.

This report shows that the domestic consumption of cotton for the first 10 months of the cotton year beginning August 1, 1920, and ending May 31, 1921, was over 1,300,000 bales less than for the 10 months of the cotton year ending May 31, 1920, with about 400,000 bales less on hand this year in consuming establishments than last year.

It is also to be noted from such statement that the exports to Great Britain for the 10 months of this cotton year only amount to 1,515,047 bales as against 2,936,571 bales for the same period of the cotton year 1920, indicating a falling off of more than 1,400,000 bales in exports to Great Britain alone, with decreases of nearly 675,000 bales in exports to all other countries except Germany, which shows an increase of over 600,000 bales, leaving a net decline of nearly a million and a half bales.

Of course, this great decline in the consumption of cotton and other American products, both at home and abroad, has been reflected with unusual severity in the depression throughout the agricultural as well as industrial sections of our country. With our great crops and condition presented how could it be otherwise?

When it is remembered that the United States in the 10 months ending May 31, 1920, only consumed 5,339,090 bales, and for the 10 months ending May 31, 1921, only consumed 4,016,117 bales, and when it is further remembered that out of a production in the United States of 13,197,775 bales during the cotton year 1920-21, with a carry over of 3,563,000 bales from the previous year, 9,904,913 bales were still unconsumed on March 31, 1921, it is readily apparent that without foreign markets there must inevitably follow the greatest demoralization and depression in the price of the commodity as well as a tremendous resulting economic loss from the failure to make use of the staple.

It must be evident to all, therefore, particularly under prevailing conditions, that the more obstacles and burdens imposed upon foreign nations seeking to get into our markets and buy our products the greater will be the injury to our foreign commerce.

It seems too obvious for expression that to bring about any substantial relief from the existing depression there must be not only proper credit facilities for the farmer and better marketing facilities for his agricultural products, but it is further absolutely indispensable that markets not only at home but also abroad shall be kept open and further developed for the absorption and purchase of American raw and finished materials. We can not consume all that we produce, and unless we refuse to grow we are bound to encounter, without foreign markets, continued stagnation of industry at home.

Before the World War the Central Powers were among the greatest consumers of our raw material, especially cotton; but with the defeat of Germany and Austria in that momentous contest, and their financial collapse, there has followed a vast war debt to the Allies, for the payment of which practically all the assets of the Central Powers have been pledged and mortgaged.

The vast reparation sum which Germany has been called upon and has agreed to pay is, under the terms of the Versailles treaty, made a preference lien upon all her assets and revenues.



Article 235 of the treaty provides as follows:

In order to enable the allied and associated powers to proceed at once to the restoration of their industrial and economic life, pending the full determination of their claims, Germany shall pay in such installments and in such manner (whether in gold, commodities, ships, securities, or otherwise) as the Reparation Commission may fix, during 1919, 1920, and the first four months of 1921, the equivalent of 20,000,000,000 gold marks. Out of this sum the expenses of the armies of occupation subsequent to the armistice of November 11, 1918, shall first be met, and such supplies of food and raw materials as may be judged by the Governments of the principal allied and associated powers to be essential to enable Germany to meet her obligations for reparation may also, with the approval of the said Governments, be paid for out of the above sum. The balance shall be reckoned toward liquidation of the amounts due for reparation. Germany shall further deposit bonds as prescribed in paragraph 12 (c) of Annex II hereto.

Article 248 of the treaty provides:

Subject to such exceptions as the Reparation Commission may approve, a first charge upon all the assets and revenues of the German Empire and its constituent States shall be the cost of reparation and all other costs arising under the present treaty or any treaties or agreements supplementary thereto or under arrangements concluded between Germany and the allied and associated powers during the armistice or its extensions.

Up to May 1, 1921, the German Government shall not export or dispose of, and shall forbid the export or disposal of, gold without the previous approval of the allied and associated powers acting through the Reparation Commission.

Article 251 of the treaty provides:

The priority of the charges established by article 248 shall, subject to the qualifications made below, be as follows:

(a) The cost of the armies of occupation as defined under article 249 during the armistice and its extensions;

(b) The cost of any armies of occupation as defined under article 249 after the coming into force of the present treaty;

(c) The cost of reparation arising out of the present treaty or any treaties or conventions supplementary thereto; and

(d) The cost of all other obligations incumbent on Germany under the armistice conventions or under this treaty or any treaties or conventions supplementary thereto.

The payment for such supplies of food and raw material for Germany and such other payments as may be judged by the allied and associated powers to be essential to enable Germany to meet her obligations in respect of reparation will have priority to the extent and upon the conditions which have been or may be determined by the Governments of the said powers.

It will be noted from the last paragraph that the payment for such supplies of food and raw materials to Germany may, under certain conditions, be given priority rights even over reparation claims; but in order to obtain such preference, it is stipulated that it shall be deemed in the judgment of the "allied and associated powers to be essential to enable Germany to meet her obligations in respect of reparation."

It has been my purpose to endeavor to secure for the producers of my district, as well as my State and Nation, the benefits of the provisions of the Versailles treaty as relate to preference payment by Germany for supplies of food and raw material. To this end, notwithstanding that the Senate had refused to ratify the Versailles treaty, I took the matter up with President Harding and the Secretary of State, Hon. Charles E. Hughes, to enlist, if possible, the aid of this Government in obtaining for American producers the benefit of such priorities provided for in the treaty.

Secretary Hughes at first declined to enter into any negotiations whatever with the Allies concerning this matter, but suggested that there would be no objection to my constituents individually taking the matter up with the Reparation Commission, as reflected in his letter to me of May 3, 1921, which reads:

DEPARTMENT OF STATE,  
Washington, May 3, 1921.

The Hon. CLAY STONE BRIGGS,  
House of Representatives.

SIR: The receipt is acknowledged of your letter of April 14, 1921, by reference from the White House, together with its inclosures relative to a proposed plan whereby payments for shipments of cotton to Germany may be granted priority over reparation payments.

According to articles 235 and 251 of the treaty of Versailles, the allied and associated powers are authorized, in their discretion, to grant certain priorities for the purchase of food and raw materials by Germany. Since this Government has not ratified the treaty of Versailles, no opinion can be expressed in regard to the interpretation of these two articles by those allied Governments which have become parties to the treaty. It is suggested that it might be desirable for your constituents to approach the Reparation Commission and ascertain whether priorities, as outlined in the inclosures with your letter, might be approved.

I have the honor to be, sir,  
Your obedient servant,

CHARLES E. HUGHES.

Of course, the Reparation Commission could seldom be successfully or readily approached by private individuals, as the commission is really constituted of official representatives of the allied Governments, who prefer to deal with officials of the United States.

Afterwards President Harding named an American representative upon the Reparation Commission, and I then again presented the matter to the Secretary of State, with a view to enlisting the assistance of the American delegate and State

Department in securing priority payments for purchases from America. This time I met with better success, and on June 9, 1921, the Secretary of State wrote me as follows:

DEPARTMENT OF STATE,  
Washington, June 9, 1921.

MY DEAR MR. BRIGGS: I have received your letter of May 24, 1921, in confirmation of our conference, in which you inquire whether the Reparation Commission would permit payments for American products to take priority over the reparation claims of the Allies.

The question you raised was taken up with the unofficial American delegate on the Reparation Commission, and I take pleasure in submitting for your information a paraphrase of the pertinent portions of his reply:

"It will be desirable for application to be made by German Government. The proposition should be as definite and complete as possible, and no special forms of application are required. It would also be wise to acquaint the American delegation on the Reparation Commission with the full details of the proposition, as this would permit the delegation to make suggestions. Anything it might do, however, would merely be in the form of friendly assistance and would not involve governmental responsibility. Assistance would also be conditional upon the plan seeming to be equitable. Any request for priority must meet the terms of article 251 of the treaty of Versailles, and it should be especially noted that such priorities must enable Germany to meet reparation obligations."

"The application should be supported by a letter from the American interests, tactfully pointing out the difficulty of granting credit to Germany without obtaining certain priorities. Purchases of food and raw materials by Germany have thus far been made without obtaining in advance the approval of the Reparation Commission."

Trusting that this information will be of value to you and to your constituents, I am, my dear Mr. Briggs,

Sincerely, yours,

CHARLES E. HUGHES.

It will thus be seen that upon compliance with the procedure indicated the American exporter and producer is now able to at least obtain some assistance from the American Government, if only in an informal way, to establish and secure the opportunity for developing a much greater trade with Germany than could otherwise have been arranged, upon a satisfactory basis for payment for purchases made.

And so I hope that the American producer and farmer is soon going to be relieved in a substantial way from the distressing adversity which has overtaken him since the war, and that not only will this bill pass and provide him with credit facilities at least to the extent of some of his needs, so that he may continue to produce and maintain his farm, but that the Congress of the United States and the party in power will develop a greater interest in preserving, stimulating, and developing our foreign trade by the encouragement and development of expanded and new markets, so that this Nation may continue to grow, and those who have made it the greatest agricultural country in the world be enabled to survive and prosper. [Applause.]

Mr. WINGO. How much time have I left now, Mr. Chairman?

The CHAIRMAN. Forty-six minutes.

Mr. WINGO. I yield five minutes to the gentleman from Mississippi [Mr. QUIN].

Mr. QUIN. Mr. Chairman, in my judgment this is not any special favor to the farmers of this country. It is their right under the bill that we have heretofore passed. A separate and distinct banking system was established by the American Congress to aid the agricultural interests. Owing to an abnormal condition that now exists, their securities can not be sold readily. This Congress is called on to see that that system functions properly, and that is what this resolution is attempting to do.

I am sorry that the House committee saw fit to cut down the \$50,000,000 that the Senate put through to \$25,000,000, but if that is to be final, I am for that. I feel it should be \$100,000,000. The gentleman from New Jersey [Mr. PARKER], with tears falling upon his cheeks, said that the Government was unable to do this. The agricultural interests of the United States are almost prostrate because of conditions that we know have brought their produce to almost nothing. As the gentleman from Illinois stated, every man who has an ounce of sense knows that the Federal Reserve Board and the Secretary of the Treasury of the United States last fall virtually reduced the farmers' produce to half what it was worth. Whether they were justified or not, it was done. Of course I do not think they were justified in making the farmer the goat. It was necessary that something be done to bring this country from the awfully inflated condition in which it was; but why did they start with the farmer and cut him off at his knees as the first one? The American Congress is called on to see that some aid is given to this Federal farm loan banking system in order that the farmers may continue to borrow money while many of them are forced to hold their produce.

And yet the gentleman from New Jersey who, I believe, voted \$2,000,000,000 for the railroads taken out of the pockets of the people is standing up as the only man in the House saying that

the Government is not able to let the farmers of the United States have—not a gift—but to have a loan at 5½ per cent. While he votes \$300,000,000 and \$400,000,000 for the Army and \$300,000,000 or \$400,000,000 for the Navy, he says this Government can not lend \$25,000,000 as a revolving fund to the farmers of the United States. It would be a pitiable condition in the United States if such a sentiment prevailed in the minds of a majority of this Congress, as was advanced by the gentleman from New Jersey here to-day. The backbone of the whole country would be destroyed. Up in his district the spinning wheels would cease to hum, the engines would stop, and the smokestacks would rust if the farmers of the United States had to stop producing. [Applause.] And yet by his vote and his speech he is willing to see the cessation of the farmers' loan banking system when he knows that the farmers can not go to a State or Federal bank and get a loan for over four or six months. He knows that they must have a long-time loan in order to improve their farms and restock them after this horrible experience that they passed through last year. He knows, or if he does not know, he should go to the magazines and study and see that the farmers must have this farm bank system in operation all the time.

The farmers were not responsible for the Federal courts tying up the system and keeping them from getting the money that they were entitled to by this system. The Supreme Court decided that they could open up and begin operations again, and we are duty bound now to give them further assistance. [Applause.]

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. WINGO. Mr. Chairman, I yield five minutes to the gentleman from Texas [Mr. JONES].

Mr. JONES of Texas. Mr. Chairman, I intend to support this measure, but I think there should be two amendments to it. In the first place, instead of making it discretionary with the Secretary of the Treasury whether the funds should be deposited with the farm loan banks it should be made mandatory. I think a great deal of the trouble that has existed in this country in the last few months has been by virtue of the discretion lodged in those who control the financial credits of the country. We were permitted to go along as a people engaged in all kinds of speculation until the currency of the country became inflated, until perhaps it was necessary to have some sort of a halt. But it was done with all of the suddenness of a flash of lightning and without warning. If a man were up in a 10-story building, there would be two ways to get down; one would be to come down the steps and the other to jump out of the window. Financially speaking we jumped out of the window. By virtue of the graduated rediscount rates that were put on suddenly the country almost went to smash. I submit that if it was necessary to put graduated rates on the banking system of the country, on the money people desire to borrow, it should have been put up gradually and there should have been notice given of the intention to put rediscount rates on a graduated scale into effect, and then the country could have adjusted itself and been prepared to meet conditions that existed.

This bill gives the Secretary of the Treasury discretionary power to deposit this small amount of money, pitifully small, with those in charge of the farm loans of this country.

Under the provisions of this bill he can practically withdraw that at any time, and it is made his duty to do so. The people who are engaged in agriculture in this country are face to face with problems that are real and not fanciful. It is a condition and not a theory. If the time ever comes when the people who produce the elemental wealth of this country fail to function the whole country will go on the rocks. If basic production fails your industrial smokestacks will rust in idleness. That probably is too plain to be discussed. Therefore I say that the Nation can well afford to say to the Secretary of the Treasury, you shall deposit funds so that they may use them in relieving the distressed condition of agriculture at the present time.

The language of this bill makes it perfectly safe to do so. There is no better security on the face of the earth than that which will be back of the securities that are deposited here. Why should it be limited to the sum here specified? That is a mere drop in the bucket. Why should not an amendment be offered to make it a sufficient amount to furnish real relief? I believe it ought to be offered, and I believe it ought to be passed and made mandatory. [Applause.]

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. WINGO. Mr. Chairman, I yield one minute to the gentleman from Georgia [Mr. LARSEN].

Mr. LARSEN of Georgia. During the debate much has been said regarding inflation and deflation of prices on farm products. We have heard much about the condition of the farmer and considerable criticism of the courts, the officers, and Federal reserve banks, the Federal Farm Loan Board, the special interests, and the unholy speculators. Each speaker seems to have little or no difficulty in fixing responsibility, at least satisfactory to himself, but no party accused admits guilt, and as we fail to agree among ourselves, no one has so far been convicted.

So far as I am personally concerned, I frankly admit that I am not so deeply concerned in the causes that have led up to the unhappy conditions surrounding the farmer as I am in the discovery and application of some method of relief.

If my home were on fire, I think I would first call the fire department, with a view of extinguishing the flames, before I consulted a detective for the purpose of discovering the origin of the fire.

The farmer is no fool; he knows his condition; everybody else knows it; and we all admit it. Most of the farmers can fix responsibility for present conditions; they do not care so much about your help concerning that as they do about remedial aid.

Some weeks ago, along with others, I appeared before the Federal Farm Loan Board in behalf of the farmers of my section. I then understood that the board favored the creation of a revolving fund of \$50,000,000 for the purpose contemplated by this bill. We are informed that the Senate so understood and voted such an amount, but we are now told that \$25,000,000 will satisfy the board, and hence the proposed bill provides such an amount.

In view of such information, I do not undertake to state what amount will satisfy the demands of the Federal Farm Loan Board, but I do know that such an amount will neither satisfy or meet the urgent demands of agriculture, and, so far as I am concerned, I will gladly vote to provide four times the amount authorized by this bill. Let us make it at least \$50,000,000. We should enable the farmer to procure a loan on his real estate, the best security in the world. He can then pay the banker, buy goods from the merchant, and the country will prosper. His farm mortgages will be converted into bonds and sold in a few months. The Government will then be repaid with interest, without loss, and agricultural bankruptcy will be averted.

The Federal Government is not a pauper. Its gold reserve is steadily and rapidly increasing. I believe we now have about one-third of the gold reserve of the world. It is the richest Nation in existence, and yet its average farmer has been denied that simple and just relief which hurts no one, but, to the contrary, would better all, for when the farmer is prosperous the status of all is improved.

Everybody is hungry and the world is naked. The farmer has made plenty to feed and clothe them all, and yet prices of farm products have been so deflated that he can not meet his obligations.

In your Cummins-Esch bill you vote billions for the railroads. I did not. You guaranteed them 6 per cent, and authorized the raising of freight rates higher than the fabled cow that jumped over the moon. Now, what will you do for agriculture?

My experience since becoming a Member of this House is that we always have money for everything except the man who is engaged in tilling the soil. Everybody admits on both sides of the Chamber to-day that \$50,000,000 would serve the desired purpose a great deal better than \$25,000,000 provided by the terms of this bill. The statement of the gentleman from South Carolina [Mr. STEVENSON] brings conclusive evidence to my mind that the Federal Government can furnish the Farm Loan Board \$50,000,000 or \$100,000,000 with about the same ease that it can finance the \$25,000,000. Therefore, again stating my position, I am in favor of authorizing \$50,000,000 at least. I want this committee and the membership of this House to function at this time so that the Federal Farm Loan Board can do so hereafter. [Applause.]

Mr. WINGO. Mr. Chairman, I yield one minute to the gentleman from South Carolina [Mr. McSWAIN].

Mr. McSWAIN. Mr. Chairman, to increase the amount to \$50,000,000 would be about the price of two great modern battleships. Although they might be necessary to the defense of the Nation, I submit that encouragement and assistance to agriculture is far more essential and dispensable to the preservation of this Nation, for the reason that it is not for the preservation of the agriculturists alone, but for the city population as well, because the farmers are not bound to continue to produce what we in the cities must eat and wear, unless they can do so at a profit. [Applause.]



While the battleships may be necessary for the life of the Nation, yet the prosperity of the farm population is always and essentially indispensable to the continued life of any nation. War may come or it may not come. If war does come, we certainly need some means of military defense. But whether war come frequently or whether war may be banished forever from the face of the earth, we must continue to live from the products of the farm. The point I wish to make is that the prosperity of the farmer is the first and perpetual line of national defense. And you will please note that I did not say the existence of a farm population is essential to our national life. I did not say that it is merely necessary that farmers should continue to raise crops, whether they do so at a profit or a loss. But I said, and I repeat for the purposes of emphasis, that our governmental, our financial, and our economic system must be so adjusted that the farmers' business will be profitable. Why do I make bold to assert this? Simply because unless it is profitable for the farmer to go forth in winter's snows and summer's heat to care for the plants and the animals with all the tenderness of a father watching over his children, unless it pays him in dollars and cents to continue this work, he will stop it, and there is no way by which the necessary results can be obtained except on the basis of personal profit. The farm business can not be socialized. The farm business can not be conducted by a soviet. The farm business can not be operated by a commune. Farming is essentially and fundamentally individualistic. The work of the farmer is isolated. The life of the farmer is lonely. Since the farmer labors alone and lives alone, he naturally demands and requires that his bank account shall be his alone, and that his farm shall be held by him in fee simple, and he must have the assurance that the fruit trees and the nut-bearing trees planted by him and watched over by him through all the years shall be his during his declining years, and shall pass by operation of law to his children and, if he so desire, to his grandchildren.

Therefore the farmer must find that it pays him financially to raise his produce, to gather it, and to pack it, and to haul it to the transportation company to be carried to the market. Unless it pays the farmer, he would be foolish to waste his time and his strength in such labor. Therefore he would merely produce what is necessary for himself and his immediate family and he would allow the rest of the world to shift for itself.

Now, do not misunderstand me. The farmer is not asking to have his business subsidized by the Government, nor is it necessary that it should be subsidized. But it is necessary that the lawmakers in Congress and the lawmakers in the several State legislatures shall cooperate in reorganizing and reconstructing our economic, financial, and transportation systems, so that the farmer shall receive his reasonable and just proportion of every dollar's worth of merchandise that he raises and puts upon the market. I sometimes think that the millions grouped in our great cities who see their food for the first time when it is set before them on the table, and then in a condition entirely different from what it was when it left the farmer's field, that they fail to realize that everything the people eat does and must come from the farm. In like manner this is true of everything that the people wear, except it is usually more completely transformed by the processes of manufacture. It is a fact that it takes more than 60 cents out of every dollar's worth of produce to pay all the incidental expenses connected with the distribution of the food supplies of the Nation. So that the farmer, who employs his land, his implements, his stock, his labor, his time, his capital investment, his thought in planting, cultivating, gathering, packing, and hauling, receives only about one-third out of every dollar's worth of products. We are told that in Denmark conditions have been so improved that the farmer there receives about 80 cents out of every dollar's worth, instead of receiving only about 33 cents, as he does in this country.

A little reflection will show us that there has been an unjust and unwise distribution and division of the profits in this country. Look at our farms and see the modest houses, with few, if any, comforts and conveniences, and see the hard conditions under which the women and children are compelled to live and to labor throughout the entire year. On the contrary, look to the cities, with their towering buildings massed in mighty array, worth countless millions, and many individuals, merely because of occupying a strategic economic and financial position, taking their toll by the millions annually, and contributing very little to the actual material well-being of the Nation. Now, these cities have been built and many of their population have grown rich out of commerce, and from commerce alone. Now, commerce is confined exclusively to the buying and selling and transportation of things that people eat and wear. Of course, the ornamental commodities are practically negligible.

Therefore the cities have been built and some of their citizens have been enriched in fabulous figures by handling the things that the farmers produce.

Therefore I come back to the proposition that the farmer is not a mendicant. He is not begging to be pensioned. But he is demanding his rights, and he is insisting that we, who are legislating for the present and the future well-being of this Nation—which means all the people of this Nation, which includes not merely the farmer, the laborer, the merchant, and the banker, but includes the professional man, the teacher, and the preacher—the farmer demands that we, his public servants, shall do justice by changing the conditions that now exist.

And I respectfully submit that this demand is upon the legislators of this country, both National and State, and comes not alone from the farmer, but, upon second thought and in view of an enlightened self-interest, comes with increased emphasis from the teeming millions crowded in the cities. Why do I say this? Because unless the farmer produces a surplus above his own needs the people who live in the cities will have nothing to eat. The farmer will not produce this surplus unless he can do so at a profit. Therefore it is indispensable to the city population that things shall be so arranged that the farming business shall be profitable. You can not starve the farmer, because self-preservation would require him to produce enough for his own demands and for his loved ones. But if the transportation companies running into the great centers of population, like New York and Chicago, should cease for one short week to carry the trainloads of milk, of vegetables, of flour, of meat, of butter, and the thousands of commodities produced on the farm and consumed in the city, then, at the end of that short week, people in these cities would begin to starve, and at the end of a second week there would be riots and bloodshed, and in a few short weeks these mighty cities would be wrecks. The legislator who looks wisely and widely out over the country and into the future loves all the people of the Nation, both those in the city and those in the country. He wants to see all the people happy, and it is fundamentally essential that the people should have a reasonable supply of the material things to eat and to wear in order that they may be happy. It would certainly be a shortsighted policy that would say that it is a good thing for the cities to be able to buy wholesale farm products at the present sacrifice prices. So far the great slump in prices has helped the ultimate consumer in the city very little. Only this morning I learned in an interview in the Central Market of this city that lettuce is being bought in my State of South Carolina on the farm at about 50 cents a crate, and that the transportation charges to this city are \$1.04 a crate. So that the lettuce costs the wholesale dealer here, including freight, less than 7 cents per head. But when it reached me later in a café one-half of a head cost me 30 cents. So that what the farmer received about 2 cents for I paid 60 cents for, and the railroad received twice as much for hauling the commodity for 20 hours as the farmer got, who planted and cultivated and cared for and gathered and packed and hauled, his labor continuing through many weeks.

It does not require a Solomon to see that there is something wrong when such conditions prevail. Of course, I admit that we of the public are partly to blame for being imposed on by a continuation of war-time prices in the retail trade. We pay the prices demanded of us without question and without complaint. It is but natural that the cafés and the hotels and the retail stores should continue to demand these prices so long as they can receive them. What the great unorganized and leaderless public ought to do is to refuse to buy at unreasonably high prices and to voice that demand by patronizing the places that begin to cut the prices. Last night I walked five blocks to get a shoe shine at 5 cents, because that is the first time I have enjoyed that privilege in over four years. I hope that shoe-shine stand will be constantly crowded until all the others come back to 5 cents. I would gladly walk several blocks to a restaurant that would cut its prices in something like a reasonable proportion to the farmer's prices. It is a fact that the farmer is getting only about 25 cents a dozen for his eggs and most of the restaurants are serving only two eggs for 25 cents, and I call that a profit of 600 per cent; and I submit that in the cooking of eggs there is the least labor involved of any commodity served in a café, other than milk. Eggs and milk should certainly follow, up and down, the wholesale prices. But it seems that the café prices are fixed at about 100 per cent profit on the maximum price for eggs, and when the wholesale price goes down, down, down the profits are multiplied 200, 300, 400, 500, and even 600 per cent.

Mr. Chairman, as a sort of personal protest against the continuation of unreasonably high retail prices, I continue to wear during this sweltering heat my winter clothes, including shoes and hat. You may therefore rightly divine that I am the Con-

gressman elect who protested through the public press against the outrageous proposition advanced by the hotels of this city that they would increase their rates during inaugural week in March, 1921, from 200 to 300 per cent, and would require those desiring to reserve rooms for the inaugural ceremonies to guarantee to pay for the rooms for at least seven days and deposit a minimum of one-half of the charges for the whole seven days. I refused to engage at any such prices, and threatened to bring my tent and pitch it on some public park and to live in it, first, in self-defense, and, second, as an emphatic protest against such unreasonable and unconscionable demands. If hotels are to be crowded by a number of patrons, that would justify reducing the rates rather than raising them. It can not be more expensive per capita to entertain a few guests than it is to entertain 100 guests. If a hotel can exist and make profit on the basis of 100 guests, why could it not make a far greater profit when it crowds in 1,000 guests at the ordinary prices? Then, if the prices are to be doubled and trebled, where has conscience gone?

So, Mr. Chairman, if as a means of national defense we appropriate \$330,000,000 for the Army, which will be spent and never come back, and if we are to appropriate \$417,000,000 for the Navy, which is to be spent and never come back, except in the part spent for naval construction, then is it unreasonable to ask that \$50,000,000 be invested by this Government with these farm-loan banks? Mark you, the money is not to be spent like the \$750,000,000 on the Army and Navy.

The money is invested in the best securities of the world. It has been argued that when the law was enacted only \$6,000,000 was fixed for this purpose in order to aid the farm loan banks to function. That is no test of the amount necessary. We must remember that was the beginning; that was a trial figure. We were starting in a new venture, and we knew that if experience showed that more money was necessary the amount could be increased. I submit that it is now shown that \$50,000,000 is necessary, and therefore the \$50,000,000 should be placed on deposit with these banks in order to strengthen their power, so that they may put a strong arm around the farmer and encourage him to go forth to his labors with the assurance that he shall receive a profit for the fruits of his labor. We are told that one-half of the money deposited in the banks of the country belongs to the farmers, but when they come to borrow money they have received only about one-seventh of the money invested by the banks. The farmers have \$80,000,000,000 of capital invested in that fundamental and essential industry, and during the last year not only did they fail to receive any profits but have sustained incalculable losses, estimated at \$7,000,000,000. Other industries during the same period had about \$160,000,000,000 invested, and statistics show that they earned about 12 per cent on an average. And we are told that many banks in this country during the same period of time earned on an average 37 per cent merely for handling the machinery of commerce. It will be noted that the bank produces not a pound of meat nor of flour nor of cotton. It only assembles the little savings of many depositors and loans this money out upon ample security, and last year the banks in a certain section made more than one-third of their capital invested, while the farmers, who produced the things that fed the bankers and their families, did not make a single dollar but, on the contrary, sustained the tremendous loss of \$7,000,000,000. It seems that Congress was very careful to see that the railroad investors should not lose any profits as an incident to the war, because Congress guaranteed dividends to the railroads. Who has guaranteed anything to the farmer, when he is the very basis, the very foundation, upon which the very life of all the people depends? I will tell you, gentlemen of the Congress, that it will require something more than superficial applications of legislative anodyne to correct this situation. We need not approach this matter in the spirit of mere pacification and a desire to put off and in the spirit of feeding on false promises. We must be candid with ourselves. We must seriously consider the fundamental questions involved. We must be frank and candid with our constituents and the whole country. We must face the situation as it is and let all the people know just what will be done and what must be done in order that this condition may not continue, because this continuation is bound to spell ultimate ruin. If such readjustment involves losses and suffering, it is better that they should come now than that maladjustment and mistreatment should put off the direful day of certain doom, when all shall face ruin. Therefore I think that we are modest in the demand, as one step—and, in fact, a small step—toward the proper and final readjustment of matters, in order to correct the evils that confront us, to place with these banks \$50,000,000 without any loss to the Treasury or the taxpayers. Therefore I urge the Members to vote to increase the amount recommended by the committee and to stand by the amount fixed in the Senate bill.

Mr. WINGO. Mr. Chairman, I yield three minutes to the gentleman from North Carolina [Mr. WARD].

Mr. WARD of North Carolina. Mr. Chairman, this bill will be a sad disappointment to the farmers of the country when they shall have ascertained, as they quickly will, that having been promised \$50,000,000 by an enormous majority in the Senate, they are to be reduced to \$25,000,000, great as their needs are, and as easy as the fulfillment of that promise would be. It has not been denied in this presence that the Government of the United States, instead of making it \$25,000,000, could, without embarrassment to itself and with beautiful consistency to its favoritism to other interests, make it many times that amount. When the railroads of the country came to the Congress, embarrassed no more than the farming interests of this country are to-day, their relief approached a billion of dollars, and yet when the great agricultural interests of the country are asking for a temporary loan to relieve a condition that spreads itself all over the world, we find the committee reducing the small allowance the Senate makes of \$50,000,000 by one-half. In answer to my question this morning the gentleman having the bill in charge said that I was correct, that only \$25,000,000 would accrue under this bill, and that that amount would have to be repaid by each bank within 15 days after the floating of the loan. It is a disappointment, naturally, inevitably so, to the great agricultural interests of the country, that are so much in need of this relief.

Now, Mr. Chairman, let us get down to business and facts and figures and review this proposition before us in the light of the history of the farm loan bank legislation which precedes it and the conditions giving rise to it and that followed its enactment. It begins with the early days of the extra session called by President Wilson, very soon after his first inauguration. The right of the Government to extend a supporting hand to the agricultural interests of the country under the Constitution and consistently with sound governmental policy was clear and beyond doubt to his wonderfully constructive mind and the need for it, much less acute then than now, was sufficiently clear to him and to those who "stood round him and felt his own great arm lean on them for support." Just as soon as the revision of the tariff, then represented by the Payne-Aldrich bill, and the construction of that great system of national finance, known as the Federal reserve system, was finished they sat to work with head, hand, and heart devoted to the common good to a degree, I believe, never excelled by any corps of public servants to build up this sound and beneficent structure of farm loan banks. Its purpose was simply to provide a means by which the farms of the country—not the farmers, sir, but the farms, be it ever remembered—could obtain for their enlargement and permanent improvement long-term loans at low rates of interest and easy terms of repayment, known in the parlance of finance as amortization. There was nothing paternalistic about this. Not the slightest tincture of socialism tainted it. Less paternalistic than the national banking system, then 60 years in existence. Much less paternalistic than the Post Office system, then 300 years old in the governments of the world. It was simply democratic governmental encouragement and support meted out to an unorganized, scattered, and divergent industry, universal in its scope and fundamental in its support of all the life, activity, and industry of the world. With its failure and its depression then, as now and always, commercial life in all its varied forms and phases trembled, tottered, and fell, progress was arrested, and happiness at an end. This was its justification. What was its necessity? Farming on a large scale and with large investments can no more operate upon a cash basis and avoid the use of loans and credits than can the other industries of the world.

No industry in all the history of the commercial world has ever, nor probably ever will, subsist upon a system and policy of cash purchases, sales, and payments. It would seem sufficient to class farming with the average industry in this particular, but natural conditions on which its success depends would justify a superior claim to a fair demand of credit to almost any other industry known to the business world. In the great cities of the country land-mortgage syndicates were operating with general approval, whose business was to offer money for loan on farm-land mortgages for the same use and purpose, of course, and for broader uses and purposes than those aimed at by the farm loan bank. Their rates of interest were often enormously high and frequently subject to the avacious demands of those lenders, to which was added attorneys' fees and large incidental expenses. The terms of these loans were comparatively short, as goes without saying, at the will of the lender. Of all the industries in the world, Mr. Chairman, farming can least depend and afford to take chances upon short-term loans. Crops can only be counted and valued at the harvest. Other industries can, many of them, calculate with



more or less assurance for future results. Other industries represent a more rapid turnover, but the farmer's profits or losses revolve with "the process of years"; less quickly retrieved, they are more lasting in their effects. To borrow, therefore, on one or even two years' time, he invites the serious possibility of a wife and family unsheltered from the storm. When not in touch with these larger syndicates of the cities by reason of living far out in the country and around the little towns and county seats and by reason of the smaller interests at his command and the longer loans he was compelled to make, he was still unable to use the credit system at the command of the "business men" of his community. The national banking system through all the years of its existence had practically prohibited loans on land mortgages for reasons not to be complained at from the standpoint of banking, and arising mainly out of the slowness of the farmer's harvest and his turnovers; but the reason from the standpoint of the bank being good made the condition no better from that of the farmer. The shocking condition confronted him that the collateral of his business-man neighbor was sufficient to support a liberal loan at the bank, inexpensive, ready, and convenient in its renewal, while his far-flung acres, yielding their abundance with the revolving seasons, were ignored and held unfit to lay the foundation of a credit at the counters of the world's treasury.

These facts, theories, and conditions confronted the Wilson administration on its advent to power, and most splendidly did it set about its task of meeting them. It was not so difficult to do, as we saw after it was done. What had been needed in the long and toilsome years gone by was not brain, not genius, for the Republican Party does not stand charged with this default, but, sir, it was a heart that had been needed, a heart in the right place; a heart that beats with sympathy for him who labors for his daily bread as well as for the upper classes of the human family who live by wit and by dint of calculation; a heart that could lift up its soul to the God who made it and say in sincerity and truth, in the language of Henry Clay, "I have no commiseration for princes; my sympathies are reserved for the great masses of mankind." Such was the heart of this man chosen by my party to lead this country out of the Egypt of financial bondage as evidently, it seems to me, as was Moses to lead the long-suffering children of Israel from the bondage of Pharaoh.

But, Mr. Chairman, my enthusiasm for the magnanimity of these accomplishments is leading me into digression. I can not well restrain it. I shall never think of this farm loan bank, of the cause that gave rise to it, of its origination and history, without suffering my enthusiasm to lead me dangerously near to the error of human adulation of him and those whose democracy and sense of justice brought it into existence. It was, in fact, the product of a principle long before at work in the hearts of many men represented by and embodied in the doctrines of the political party whose contentions and struggles brought this man and his supporters to the position of responsibility and duty, and which found in them only the common rewards and the natural fruits of the faithful.

What were its effects? They are fresh in memory. Farming at once took on new life. Prices of farm products waited not a month to start on their march for a higher and stronger mark. Smiles of confidence and trust, of relief and gratitude, took the place of frowns of dissatisfaction, and signals of approval hushed the voices of murmurings and complaints. With assurance and defiant confidence I assert it, that no piece of national legislation ever issued from the American Congress that received a larger measure of popular approval than this farm loan act. It was at once patronized with eagerness beyond the possibility of timely accommodation. Approximately \$387,000,000 were loaned in the first three years of its existence. At once and upon its heels the great insurance and other investment companies of America went out, as they had never done before, in search of farm lands on which to loan their money. They competed, of necessity, with the terms and interest rates of the new bank. In the villages and hamlets of the country doors and entrances were ornamented with attractive signs, "Money to lend, easy terms, inquire within." Every day of its untrammelled existence marked its upward and onward progress and increasing prosperity, hope, and confidence of the farmers. Certainly the war and its inflations did their part, but I speak of the normal process of expansion and growth that grew out of the immediate use of this institution, and especially of the large measure of confidence it inspired.

No sooner had it attained opportunities of usefulness than it was assailed by a suit in the Federal courts which, at first not seriously regarded, soon assumed most dangerous proportions by reason of the long delay in its determination and

especially the call of the court for a reargument. This locked its doors for more than a year and until this present hour. Hard upon its closing came contraction and deflation of the credits of the business world, then running rampant in their wild rush for conquest and world absorption. This was the psychological moment when the farm loan bank was most needed and certainly would have done its greatest good. The farmer who had seen the market for his crop, that had been made at inflation prices of expense, closed as tight as a clam-shell, had nowhere to look for a loan and no avenue open for approach to the indulgence of his creditors, was forced to dump this crop on an unwilling and depressed market and stand aghast at the "wreck of fortune and the crush of worlds" around about him. To say or pretend that any other industry suffered in equal degree is to assert an obvious incorrectness. If men think so, it is only because the farmer's sufferings are farthest away from touch with him, or else his sensibilities are less responsive to his sufferings.

What is the next step in this history of tragedy, Mr. Chairman? It is the induction of a new political administration, assuming power March 4, 1921, arrogant and exalted with power, exuberant in promises, magnanimous with grace, oppressed with wisdom, mighty to save. The farmers' emergency was the object assigned for an extraordinary session of the Congress. An emergency tariff bill is the first loop. It gives him a tariff duty on his own wheat and cotton which he ships abroad and charges him one on his medicines and his hardware and other things he buys. It is something in name, nothing in substance, working delusion, falsehood, and fraud.

About the time of the convening of this Congress this lawsuit was ended and the farm loan bank unmanacled. Immediately it went to work to get about the distribution of its bounties again. The first requirement was a bond sale of, I think, \$40,000,000. Many unavoidable causes contributed to its difficulties. Its officers saw the need of expansion of credits and enlargement of means. It asked for \$50,000,000 to be deposited by the Treasury to its credit for support of the bond issue and strengthening of its general activities. This is called a revolving fund, because of its recurrent use and application as a basis of credit and its ready adaptability to incidental and recurrent needs of expansion and contraction. It is required as its basis of credit on which to float its bonds.

Just here let it be distinctly understood that it is not a gift by the Treasury and amounts to no more than a well-secured loan or guaranty of credit. The money of the Public Treasury could not be given to this purpose under the Constitution. If it was an appropriation, every lawyer with a rag of his gown on his back knows it would be inhibited by the Constitution. We have now reached, in our narrative, the 17th day of May, 1921. Senator CURTIS introduced a bill in the Senate after conference with the bank commissioners—this I have from them. Here follows the bill. I read:

*Be it enacted, etc.,* That section 32 of the act of Congress approved July 17, 1916, known as the Federal farm loan act, be amended to read as follows:

"SEC. 32. That the Secretary of the Treasury is authorized, in his discretion, upon the request of the Federal Farm Loan Board, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not exceeding by more than one-half of 1 per cent per annum the rate borne by the last bond issue of the bank receiving such deposit, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$50,000,000 at any one time."

On the 2d day of June this bill passed the Senate and was referred in the House to the Committee on Banking and Currency. This committee held hearings and here is its work. Striking out every word of the Senate bill, it substitutes the following:

*Be it enacted, etc.,* That section 32 of the Federal farm loan act, approved July 17, 1916, as amended, is hereby amended by adding, after the first paragraph, a new paragraph, to read as follows: •

"Until such time as the aggregate paid-in capital stock of the 12 Federal land banks shall be \$50,000,000, or more, the Secretary of the Treasury may, in his discretion, make deposits in addition to those authorized by the preceding paragraph, to be secured, redeemed, and paid in the same manner as provided in such paragraph, except that any additional deposit made hereunder shall be called by the Secretary of the Treasury and redeemed by the bank or banks holding the same within 15 days after the conclusion of each general offering of farm loan bonds by such bank or banks. The aggregate of such additional deposits outstanding at any time shall not exceed the difference between the aggregate paid-in capital stock of the 12 Federal land banks on the last day of the preceding month and the sum of \$50,000,000. The certificates of indebtedness issued to the Secretary of the Treasury by the Federal land bank for such additional deposits shall bear a rate of interest not exceeding by more than one-half of 1 per cent per annum the rate borne by the last bond issue of the land bank receiving such deposits."

Note the fact that the Senate bill puts \$50,000,000 at the disposal of this bank. The bank pays the Government one-half of 1 per cent interest in excess of the rate borne by the last issue, secured by farm loan bonds or other collateral to the satisfaction of the Secretary of the Treasury. Now, take up the language of this bill about to be passed by this House. Never can any loan be made after the capital stock of all the banks aggregated reaches \$50,000,000; until then the difference between paid-in stock on the last day of the preceding month and \$50,000,000. This paid-in stock is approximately \$25,000,000 now. The difference between this and \$50,000,000 is \$25,000,000. So that we have it that this deposit is reduced one-half.

Mr. Chairman, in the early stages of this debate an affable, genial gentleman of the Republican side, standing in front of the Speaker's desk, put his hands affectionately upon my shoulders and said:

WARD, why do not you gentlemen be open, candid, and consistent, and ask for a billion and be done with it? Just scoop it all right out and be done with it.

This showed candidly the understanding of gentlemen of that side of the House of this measure, and I quote it to show the enormity of their error. It is not scooping money out of the Treasury. It is not hurtful to the Treasury. The Treasury can more than double this support, as has been shown in this debate. The gold reserve is unusually strong and increasing. The Government is depositing more money than this Senate bill calls for—more than this bank asks for—without a cent interest in private institutions whose millions are being increased by its use. Let us make now a comparison of Government bounties, as I attempted in the beginning. One year or little more ago the railroads of this country found themselves in an embarrassment, which I confidently assert was not more acute than that in which the agricultural industry finds itself to-day. I could contend that the calamities that fell upon the farmers in October, 1920, were heavier and more destructive than those that confronted the railroads 13 months ago, but controversy will arise on the point to no purpose, and I content myself with a statement of the equality of these difficulties. I next humbly, meekly, and hoping not to offend, assert that the farms of the world are worth as much to it as the railroads. I next suggest with timid hesitation that, having been made by the same Creator, who of "one blood made all peoples for to dwell on the face of His earth," the owners of those farms will, in the great crucible of human destiny and of divine economy, be found by a prayerful test to be nearly as good, valuable, and worthy of consideration as those who own and operate railroads. Having said so much, with due apologies, I remind you that when the Esch-Cummins bill came before this House for and on the demand of the railroads the scooping process went to the extent of more than twelve times what is asked by the farmers in this bill. Their total money value does not exceed \$14,000,000,000.

The farmers of this country are valued in billions, rolling incomparably above these figures, as everybody knows. For their relief in their hours of darkness the railroads were guaranteed 6 per cent profit on their own statements of their total valuation. Honest and intelligent controversy rages to-day around the question of the real amount of that value, differing to the extent of \$7,000,000,000. But as it was not possible to settle that question at the time of the bounty, the railroads got from the Government its guaranty of 6 per cent on nineteen billions of capital, and right liberally and surely did the Government redeem its covenant with the elect. What is the cause of this difference in the degree of consideration extended by Congress as between farmers and railroads? I hear the snarl and see the sneer and the impotent charge of demagoguery always substituted for answer and argument when one would raise a voice against the unlimited privilege of the strong aggregation of wealth and the operators of financial power.

But I will not "sit in the seat of the scornful" nor "walk in the counsel of the ungodly," and turning with honest and fearless conscience and defiance from the sneer I see the truth and I dare maintain it. It is because men who own, sell, deal in, and speculate in and with railroad bonds and stocks and those who attain the proud eminence of railroad mastership and operation are favorites in the councils of the political party now dominant in this House, as against those who follow the plow handles. This is truth, and God knows it, and you know it, and there is no other honest explanation of the matter.

Your pretensions of affection for the farmer are camouflage, cant, and mockery. Most unfortunately, the discrimination is more or less general in all the councils of Government by whatever political party those councils are controlled, by reason of stronger and better activities of the lobby, not alone at the seat of government but in the councils of party conventions where policies are originated and plans set on foot.

The Member that will make this statement from his place in this Chamber other than in good faith and without honest conviction and reasonable facts on which to base it is hardly worthy a seat here or to wear any other badge of public trust and confidence.

It is calculated to excite dissensions and strife and unpatriotic sentiments in the public mind. If any class of the people are at a disadvantage as against another class in the councils of government, it is the natural germ of anarchy and of revolution, and no man of character and patriotism will make it lightly and unwittingly. But it is time that we set the household of government right, and that strongly and promptly, and truthful discussion and candid statements of the facts are simply necessary to that end.

Equality of opportunity to all classes of citizenship is the very first essential of efficient and wholesome government. American socialism is the rising, growing protest against this favoritism here in this country, and for one I admit I entertain fears of its extension. There is no place in America for socialism, and ought to be no excuse for its existence, but class preference is the ground of its existence and the stimulus of its growth.

The only answer I have heard to my charge of great discrimination between the railroads and the farm loan bank is that the commissioners of the bank are getting by this House bill all they ask for. This was made by the honorable Member from Kansas [Mr. Strong] in his answer to me earlier in the debate. I do not question Judge Strong's honesty of opinion nor that of any other Member here, but it is singular, sir—indeed, it is an indictment against those commissioners—that if they only wanted and needed twenty-five millions they permitted the Senate to make it fifty millions without signifying their acceptance and willingness to accept half that amount.

Let us examine this phase of the House substitute and reread these words:

Any additional deposit made hereunder shall be called by the Secretary of the Treasury and redeemed by the bank within 15 days after the conclusion of each general offering of farm loan bond—

And so forth.

Why this hurried redemption, Mr. Chairman, if not to embarrass the bank? In the name of justice and American business custom, why 15 days instead of 30 at the least? Why not leave that to the discretion of the Secretary of the Treasury? Thirty days is as short a period as bank notes are ever taken in general practice. Thirty days is reckoned cash even in grocery stores and barber shops. Yet these banks must pay back in 15 days. But, sir, I have reasons most compelling to believe the contrary as to the satisfaction of the officers of the bank. I know this, sir, and without hesitation and with no breach of confidence or betrayal of secret, I assert it; they expected fifty million, and told me in person they would get it, in their opinion. This in their office in May, 1921.

No wonder they expressed willingness and satisfaction in the councils of the House committee. They were not in position to demand; they were beggars at the table of Dives, and easily sustained and soothed by his broken loaves and crumbs. But apart from their humility and modesty at your board, I believe and, speaking for myself, maintain that twenty-five million is insufficient. Contrasting again with much regret the spectacle of the railroad representative at the door of Congress in May, 1920, when the Esch-Cummins bill was under consideration, it presents a parallel to the scene of the "younger son" in St. Luke's Gospel—"Father, give me the portion of goods that falleth to me, and be divided unto them his living." Opposite to this demand—this division of "his living"—I see in imagination Mr. Lever at the conference table of this committee reciting the pathetic words of the school-reader poem of my childhood:

Give me three grains of corn, mother, only three grains of corn;  
It will save the little life I have 'til the coming of morn.

Mr. Chairman, if the Democratic Party was in control of this House, the Senate bill would pass unmodified, as surely as I live to-day. The probabilities are its beneficences would be increased. That party is proud of this farm-loan bank as its master stroke of handicraft, its strongest evidence of equality of justice meted out to all the people. It is devoted to it as Jacob was to Joseph, and the analogy may be carried further, for it was to Joseph he went to buy corn. It was Joseph who provided against famine and laid up in store the bounties of the soil to feed the hungry when the clouds failed to "return after the rain," and there were no markets as is now the case. The men who till the soil must go back to this Joseph of the Democratic Party to get their relief. Let them awake now and return. Justice and equality await them. God speed the day of their awakening and give them a rapid and peaceful journey. When



I say this action of this House will be disappointing I am putting it mildly. It will be simply crushing in its discouragement, and most righteously and emphatically will it be resented.

Mr. WINGO. Mr. Chairman, I yield one minute to the gentleman from Mississippi [Mr. LOWREY].

Mr. LOWREY. Mr. Chairman, it seems to me most urgent that this bill be amended to carry at least \$50,000,000. When Congress has already appropriated three-quarters of a billion for the current expense and construction program of the Army and Navy and a still larger sum for the railroads, this \$50,000,000, even though it will represent a much larger amount when extended as credit, looks pitiful and niggardly.

Our obligations to the farmers are very similar to our obligations to the railroads. Gentlemen say that the railroads were a necessity to winning the war and are now an absolute necessity to our return to "normalcy," that the railroads must be "enabled to function" and must be "kept functioning" if our people are to be fed and clothed. These statements are true of the railroads, but they are just as true of the farmers. The farmers must produce before the railroads can distribute. During the war the farmers lined up as patriotically and efficiently as did the railroads—for that matter as did the boys in uniform themselves. They obeyed orders, not because they were compelled to, but because they wanted to. They planted food and feed crops according to instructions; they kept the meatless, wheatless, and sweetless days; they bought bonds and contributed in the drives; in every way they met the demands of a self-sacrificing and consecrated patriotism.

You say that our Army and Navy have been our protection in the past and must be our protection in the future. Grant it! The good and progressive farmer who is helping to lead the forces of production and provide the materials for feeding and clothing our people and the people of this distressed old world is as much a force for protection as a gold-braided admiral or a silver-starred general, though I disparage neither of the latter.

Have our industries suffered as an aftermath of the war? So have our farmers, and from exactly the same causes. Have our railroads lost one, two, or three billion dollars? Our farmers last year lost \$7,000,000,000. And in the face of that staggering loss the farmers of my district, at least, have entered the new year under most discouraging conditions. A late and wet spring was followed by a month of torrid drought. In some places 80 per cent of the seed is said to have rotted in the ground. And these same farmers have to bear the weight of high taxes, high tariffs, and high freight rates.

Gentlemen, we have been working at the wrong end of the problem. We have tried to open up our factories by protecting them from an imagined competition with Europe. We have tried to load our 500,000 idle freight cars by voting money to their owners. We have failed to take account of the fact that of the retail price of a cabbage the merchant gets 76 per cent, the railroad 19 per cent, and the producer only 5 per cent. We have tried to build a heavy gilded arch on a sand foundation and have wondered why the structure sags.

As I stand before you, Mr. Chairman, this Nation, not as a matter of sentiment but as a matter of hard, cold, finance, owes no greater obligation than to its farmers. We must avoid paternalism as we would avoid national ruin, but we must wisely and effectively help the farmer to help himself. We must not sap his strength by leading him to look to the Government for that which he might do for himself, but we must be just as careful not to drain him of his courage by refusing to lend an additional team when his own wagon is hub deep in the mud.

Hence, Mr. Chairman, I am opposed to the recommendation of the House committee that this advance to the farm loan banks be limited to \$25,000,000. I should be ashamed to return to my people if I did not raise my voice in objection. Let us make it fifty million, and if that should prove inadequate let us not scruple to add even more.

In this connection, gentlemen, I am reminded of Sam Jones's rabbit. The particular cottontail in question was being pursued by a flop-eared cur dog and was being mighty hard pressed, despite his doubling and feinting. Mr. Man, standing by, had his admiration stirred by the rabbit's gameness. He popped his hands and stamped the ground and shouted, "Go to it, old cottontail; go to it. There's a sink hole in the bottom by the big oak tree. I'm betting on you to get there first." "That's all right, Mr. Man," replied the rabbit, "but I don't need for you to pop your hands and holler at me. I'm doing my best already. What I need is for somebody to head that dog."

The farmer is doing his best already, gentlemen. He does not need us to praise him and blow about him here on the floor of the House or on the stump back home. What he needs is

something practical. We Democrats and a few of you enlightened Republicans are trying to head the dog for him. Is the majority going to help us or hinder us? It is easy to talk, but what about action? Will you give us the fifty million or are you going to hold to the twenty-five million simply in order to protect your party organization and strengthen you in your fight against the Senate?

Mr. WINGO. Mr. Chairman, I yield one minute to the gentleman from Mississippi [Mr. RANKIN].

Mr. RANKIN. Mr. Chairman, this amendment proposes to raise the amount to be made available to the farmers of the country under this measure from \$25,000,000 to \$50,000,000, and for that reason I shall heartily support it. In fact, I should be very glad to see the amount increased \$200,000,000; for if something is not done to give the farmers of this country an opportunity to secure adequate loans on their farms at a low rate of interest, I do not see how they are going to be able to stem the tide of adversity with which they are now battling.

Increasing this amount will not cost the Government a dollar; but, on the other hand, it will enable it to realize 5½ per cent interest on the amount loaned, whereas it is now deposited with the national banks of Wall Street and elsewhere at only 2 per cent. Therefore the Government would be getting 3½ per cent more interest on the amount loaned to the farmers than it is realizing on that money to-day. Besides, it would be secured by first mortgages on farm lands—the very best security under the shining sun.

This is one of the few measures that have come before this Congress for the benefit of the farming people of the Nation, and yet, strange to say, some men are vigorously opposing it. I can not understand their attitudes, unless it is because they are more interested in the fortunes of those financial profiteers who always prosper on the adversity of the farmers than they are in the welfare of the farmers themselves.

You are not giving the farmer anything by increasing the amount proposed in this bill; you are not even giving him a square deal, much less contributing to his financial welfare. You are merely taking the amount authorized herein out of the banks, where it is now deposited at 2 per cent, and loaning it to the farmers at 5½ per cent, thereby increasing the Government's income on the \$50,000,000 provided for by this amendment by \$1,750,000 a year.

But I will tell you where the opposition to this movement is coming from; it is coming from the big financial interests of this country, and they are using every pressure possible on the present administration to keep the Government from coming to the aid of the agricultural classes, so that they may be able to put their own money out at usury at the farmers' expense.

The big insurance companies, the loan corporations, the mortgage companies are now placing long-time loans throughout the country at 7 or 8 per cent interest, and even more, where they used to charge only 6 or 7 per cent, and some of them are charging the farmers an expense fee of from 3 to 4 per cent additional for making the loans at all. And they, Mr. Chairman, and all their influences, are lined up in opposition to advancing this credit to the farmers, upon whose shoulders rests the burden of producing the raw materials that feed and clothe the world. In my opinion it was the influence of these loan companies that stopped the Farm Loan Board from advancing these loans to the farmers in the beginning by attacking the constitutionality of the farm loan act; and when they failed to get the law declared null and void, after having it held up for a year in the Supreme Court, then they began to work other "mysterious" ways their wondrous to perform.

When the Federal Reserve Board began its deflation a year ago the farmers had just laid by the most expensive crop they had ever made in the history of the country. Everything they had purchased was at the very peak of high prices, and they were necessarily more heavily in debt than they would have been under ordinary conditions. If they could have sold their products before prices began to drop they could possibly have pulled through; but that privilege was denied them. The deflation began in the early summer, and by the time their crops were ready for market the price was so far below the cost of production that many a man was stripped of everything he had, including the home that it had taken him a lifetime of patient toil to acquire. In my opinion, that act on the part of the Federal Reserve Board will go down in history as the greatest financial injustice of all times.

It did not particularly hurt the profiteer who had coined his millions out of the blood and tears of the suffering men, women, and children of the world during the war. He had already prepared for the shock by placing his ill-gotten gains within the safety zone, by investing them in Government securities. He seems to have been amply warned of the ap-

proaching disaster, while the farmers were left oblivious of their impending fate until it came down upon them like a clap of thunder from a clear sky. If left more victims to its credit, or discredit, in bankruptcies, suicides, failures, foreclosures, insane, poverty stricken, homeless, and hungry than any other one piece of tyranny that was ever perpetrated on American soil.

The Federal Reserve Board could relieve this panic in 10 days if the governor of that board and the Secretary of the Treasury were so disposed. If they were as much interested in the financial welfare of the American people generally as the Secretary of the Treasury is in defeating the bill providing for adjusted compensation for the ex-soldiers who went through the grime and dust and sweat and misery of the training camps or offered their lives in the bloody trenches of France, they could relieve this situation without delay.

We have more than one-third of the gold supply of the universe, and the Federal Reserve Board could easily issue \$2,000,000,000 in currency or Federal reserve notes and still keep our gold supply above the requirements of the law; or they could issue these notes on the same class of collateral accepted by them for that purpose before they began their ruinous policy of deflation. But instead of that, the board has continued to retire, or call in, the money issued by it during and just after the war until it has deflated the circulation by something like a billion dollars, or possibly more, paralyzed the business of the country, and brought about the most disastrous panic through which the American farmers have ever passed.

And it is rather amazing to me to see the same men high up in official affairs of the Government who are responsible for the present financial condition of the country, or at least responsible for the continuation of that condition, when they have it in their power to relieve it—it is amazing to see those same men refusing this relief to the farmers of this country and at the same time advocating the spending of \$500,000,000 a year on a Navy that is rapidly becoming obsolete as a result of modern progress, and when the prospects of trouble with a foreign foe are so extremely remote. During the first 16 years after the close of the Civil War we spent only \$20,000,000 a year on the American Navy, but to-day we are spending approximately \$500,000,000, or twenty-five times as much on the Navy each year as we spent on it then, although we are at peace with the world and the submarine and the airplane have supplanted and rendered obsolete the class of vessels which we are spending so much to construct and maintain. But that helps the big interests who are engaged in the manufacture of armor plate, steel, and munitions of war and gives a feeling of security to the oil magnate who invests his millions in foreign oil fields; it makes him feel that he has a country behind him with a sufficient Navy at its command to back him up if the people whom he is plundering in foreign lands should manifest any resentment at his high-handed methods of extortion.

Certainly it is better, from his viewpoint, to spend this Government's money in that way, by the hundreds of millions, than it would be to loan a few millions of it to the farmers of the country in small amounts in order to tide them over this panic and prevent their financial ruin. It is amazing to hear those men clamoring for an Army of 200,000 men when 50,000 would be amply sufficient for our present needs, and at the same time protesting against this pittance of relief for the farmers when it would not cost the Government a dollar.

The farmers of this country can not hold up much longer under these conditions. They are bound to have relief from some source if everything else remains as high as it is to-day and farm products continue to decline. The corn farmer of the West is selling his corn at 35 cents a bushel. How does that comport with the present high cost of living? How can he realize anything out of his crop after he pays the exorbitant railroad rates now in effect in order to get his corn to market? Do you expect him to continue to endure indefinitely this economic slavery without protest or complaint? Evidently some men do, judging from the way in which they continue their policy of discriminating against the agricultural classes.

The wheat growers of the country are selling wheat at a dollar a bushel, which before the deflation began was selling at \$2.25, and if conditions do not change for the better they will be selling it for a great deal less before the end of the present year.

The cotton growers of the South still have on hand cotton that cost them more than 40 cents a pound to raise, and for which they could not realize 10 cents a pound to-day. Their crops are poor and their fields are swarming with boll weevil. The price of cattle and hides have gone almost to nothing. Practically every farm in the United States is under mortgage, and those mortgages will soon have to be either fore-

closed or renewed. The loan sharks are already taking an inventory and preparing for the coming feast. They know the farmers have got to have the money and they know that, as a rule, the local banks are carrying all the loans they can stand. They know that unless this Government comes to the rescue of the farmers through the aid of the Farm Loan Board they will be forced to accept their loans at extortionate rates of interest, coupled with additional contributions, which added to that interest constitutes a usury that would shame the face of Shylock.

Therefore they and their agents in this capital are fighting day in and day out, in court and out of court, to prevent the Government from coming to the farmer's rescue and saving him from such a ruinous fate.

I sincerely trust that this amendment will be adopted increasing the amount to be made available as loans to the farmers to \$50,000,000; and I hope that before this Congress adjourns some influence may be brought to bear that will quicken the conscience of this administration and arouse it to the necessity of legislation that will bring substantial and prompt relief to the farmers of the country before it is too late. [Applause.]

Mr. McFADDEN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. MADDEN, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill S. 1837, and had come to no resolution thereon.

#### LEAVES OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. GAHN, for 10 days, on account of important business.

To Mr. PERLMAN, at the request of Mr. SIEGEL, for seven days, on account of the serious illness of his mother.

To Mr. KETCHAM, for to-day, on account of illness in his family.

#### WITHDRAWAL OF PAPERS.

By unanimous consent, leave was granted to Mr. CRISP to withdraw from the files of the House, without leaving copies, the papers in the case of Mrs. M. E. Tison, Sixty-sixth Congress, no adverse report having been made thereon.

To Mr. WALSH, in the pension cases of H. R. 990, H. R. 1000, H. R. 6785, H. R. 998, and H. R. 8020, Sixty-sixth Congress, no adverse reports having been made thereon.

#### ORDER OF BUSINESS.

Mr. GARRETT of Tennessee. Mr. Speaker, can the gentleman from Illinois [Mr. MADDEN] inform me as to the prospects of the conference report upon the naval appropriation bill?

Mr. MADDEN. The gentleman from Michigan [Mr. KELLEY] is here, and I would rather have him answer the question.

Mr. KELLEY of Michigan. We expect to present the report to-morrow and have it acted upon Tuesday if that is agreeable.

Mr. GARRETT of Tennessee. Is there any particular reason why that report should not be acted upon on Saturday?

Mr. KELLEY of Michigan. That I do not know. The gentleman will have to take that matter up with the gentleman from Wyoming.

Mr. MONDELL. Mr. Speaker, it seems to me we can hardly take that report up immediately after it is reported, if it be reported to-morrow, and I understand the gentleman is not certain that he can report it by to-morrow.

Mr. KELLEY of Michigan. I think it could be ready to-morrow, although—

Mr. MONDELL. The gentleman has not his report written out?

Mr. KELLEY of Michigan. We have not yet; we have just finished—

Mr. MONDELL. It is a little doubtful whether the report can be made to-morrow, and in any event, in view of the very great many items in the report, it would probably not be wise to take it up until the Members had an opportunity to investigate and read the report, and, further, at the end of the week there are a great many Members absent. My thought was that we would take up the report about Tuesday.

Mr. GARRETT of Tennessee. I had hoped that if the conferees were able to report—and I understand they are able to report—that the matter could be taken up on Saturday. It is not a matter of personal convenience of mine at all.

Mr. MONDELL. Well, as the gentleman from Tennessee knows, there are many Members who do not expect to be here Saturday, and there are many Members who do not expect to



be here Monday. We might call them back, or we might insist on their remaining, but the report could be taken up Tuesday and still give plenty of time to dispose of it and place it upon the statute books by the 1st of the month. I think it would meet the convenience of Members more if it were taken up on Tuesday than sooner.

## ADJOURNMENT.

Mr. McFADDEN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 55 minutes p. m.) the House adjourned to meet to-morrow, Friday, June 24, 1921, at 12 o'clock noon.

## EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

174. A letter from the Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination of Clayton Harbor, N. Y.; to the Committee on Rivers and Harbors.

175. A letter from the Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination of Arkansas River, Ark. and Okla., from Little Rock to the mouth of the Grand River; to the Committee on Rivers and Harbors.

## REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. BURNESS, from the Committee on the Public Lands, to which was referred the bill (H. R. 244) to provide for the disposition of abandoned portions of rights of way granted to railroad companies, reported the same with amendments, accompanied by a report (No. 217), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. DYER, from the Committee on the Judiciary, to which was referred the bill (S. 1288) to provide for the appointment of one additional judge for the District Court of the United States for the Southern District of New York, reported the same without amendment, accompanied by a report (No. 219), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. MICHENER, from the Committee on the Judiciary, to which was referred the bill (S. 1254) providing for the appointment of an additional district judge in and for the eastern district of Michigan, reported the same without amendment, accompanied by a report (No. 222), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

## REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, private bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. FULLER, from the Committee on Invalid Pensions, to which was referred sundry bills of the House, reported in lieu thereof the bill (H. R. 7340) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war, accompanied by a report (No. 216), which said bill and report were referred to the Private Calendar.

Mr. EDMONDS, from the Committee on Claims, to which was referred the bill (S. 52) for the relief of the Stevens Institute of Technology, of Hoboken, N. J., reported the same without amendment, accompanied by a report (No. 220), which said bill and report were referred to the Private Calendar.

Mr. STEAGALL, from the Committee on Claims, to which was referred the bill (H. R. 6407) for the relief of Maj. Francis M. Maddox, United States Army, reported the same with an amendment, accompanied by a report (No. 221), which said bill and report were referred to the Private Calendar.

## PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. FULLER: A bill (H. R. 7340) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of sol-

diers and sailors of said war; committed to the Committee of the Whole House and ordered to be printed.

By Mr. MUDD: A bill (H. R. 7341) relating to provisional assignments and confirmation in the Naval Reserve Force; to the Committee on Naval Affairs.

By Mr. CROWTHER: Joint resolution (H. J. Res. 160) authorizing the Secretary of War to loan cots and blankets for the use of the National Disabled Soldiers' League (incorporated in New York State) at the encampment to be held in Washington, D. C., in June, 1921; to the Committee on Military Affairs.

By Mr. ANSORGE: Joint resolution (H. J. Res. 161) authorizing the President to require the United States Sugar Equalization Board (Inc.) to take over and dispose of 5,000 tons of sugar imported from the Argentine Republic; to the Committee on Agriculture.

By Mr. VESTAL: Resolution (H. Res. 126) for the immediate consideration of House bill 7077; to the Committee on Rules.

By Mr. KAHN: Resolution (H. Res. 128) for the immediate consideration of House bills 7158 and 7111, House joint resolution 138, and Senate bill 1358; to the Committee on Rules.

By Mr. CLOUSE: Resolution (H. Res. 129) authorizing and directing the Clerk of the House and the clerk of the Ways and Means Committee of the House of Representatives of the Sixty-sixth and Sixty-seventh Congresses of the United States to disclose by deposition certain minutes or proceedings of said committee; to the Committee on Rules.

By Mr. CARTER: Memorial of the Legislature of the State of Oklahoma, requesting financial aid for Mrs. Margaret Dougall Robertson, of 80 Leslie Terrace, Aberdeen, Scotland; to the Committee on Interstate and Foreign Commerce.

## PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BRENNAN: A bill (H. R. 7342) authorizing the Secretary of War to donate to the city of Detroit, State of Michigan, 10 German cannons or fieldpieces; to the Committee on Military Affairs.

Also, a bill (H. R. 7343) granting a pension to Ellen C. Falvey; to the Committee on Invalid Pensions.

By Mr. BROOKS of Pennsylvania: A bill (H. R. 7344) granting a pension to Charles P. Kibler; to the Committee on Invalid Pensions.

By Mr. CABLE: A bill (H. R. 7345) granting a pension to Isabelle R. Brown; to the Committee on Pensions.

By Mr. DRANE: A bill (H. R. 7346) granting an increase of pension to Frances A. Kirk; to the Committee on Pensions.

By Mr. FAIRCHILD: A bill (H. R. 7347) granting a pension to Margaret L. Fardette; to the Committee on Invalid Pensions.

By Mr. GRAHAM of Pennsylvania: A bill (H. R. 7348) for the relief of the Metropolitan Lumber Co.; to the Committee on the Judiciary.

By Mr. KNIGHT: A bill (H. R. 7349) granting an increase of pension to Christopher C. Webber; to the Committee on Pensions.

Also, a bill (H. R. 7350) to reimburse the Navajo Timber Co., of Delaware, for a deposit made to cover the purchase of timber; to the Committee on Claims.

Also, a bill (H. R. 7351) for the relief of Edward Herman, deceased, alias Edward Hill; to the Committee on Military Affairs.

By Mr. McLAUGHLIN of Michigan: A bill (H. R. 7352) granting an increase of pension to William Elliott; to the Committee on Pensions.

By Mr. MOTT: A bill (H. R. 7353) for the relief of Eugene L. Willis; to the Committee on Military Affairs.

By Mr. PARKS of Arkansas: A bill (H. R. 7354) granting an increase of pension to Julia B. Reynolds; to the Committee on Pensions.

By Mr. ROSENBLOOM: A bill (H. R. 7355) granting a pension to Maggie B. Sullivan; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7356) granting a pension to Bessie Koski; to the Committee on Invalid Pensions.

By Mr. SHELTON: A bill (H. R. 7357) granting an increase of pension to Mary E. Stenberg; to the Committee on Invalid Pensions.

By Mr. WHITE of Maine: A bill (H. R. 7358) granting an increase of pension to Henrietta A. Hewett; to the Committee on Pensions.

By Mr. MICHAELSON: Resolution (H. Res. 127) to pay Edna Duce and Ethel Mason, clerks to the late WILLIAM E. MASON, one month's salary; to the Committee on Accounts.

## PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1526. By the SPEAKER (by request): Petitions of 780 residents of the cities of Youngstown, Conneaut, Lowell, and Struthers; 300 residents of the city of Lima; 2,010 residents of the city of Cincinnati; 240 residents of the city of Glendale; and 30 residents of the city of Norwood, all in the State of Ohio, urging recognition of the republic of Ireland; to the Committee on Foreign Affairs.
1527. Also (by request), petition of Kevin Barry Branch, Friends of Irish Freedom, Kings Park, N. Y., urging that the money loaned the allied Governments be collected without delay; to the Committee on Ways and Means.
1528. Also (by request), petition of citizens of the second congressional district of Kansas, urging recognition of the republic of Ireland; to the Committee on Foreign Affairs.
1529. Also (by request), petition of Thomas Aske Club, urging an international conference on disarmament; to the Committee on Foreign Affairs.
1530. By Mr. APPLEBY: Petition of congregations of the Presbyterian Church of Englishtown and of Livingston Avenue Reformed Church of New Brunswick, and of Mr. Thomas Clements, of Ocean Grove, all in the State of New Jersey, urging action by Congress looking to the speedy reduction of armaments by the nations of the world; to the Committee on Foreign Affairs.
1531. Also, petition of Congregation of the First Presbyterian Church of Englishtown, N. J., urging congressional action in the interest of the stricken people of Armenia; to the Committee on Foreign Affairs.
1532. By Mr. BLAND of Virginia: Resolution passed at a meeting of the board of directors of the Newport News Chamber of Commerce, relative to Federal operation of private industry; to the Committee on Agriculture.
1533. Also, resolution passed at a meeting of the board of directors of the Newport News Chamber of Commerce, relative to pilferage claims occurring on shipments whilst in the custody of the common carrier; to the Committee on Interstate and Foreign Commerce.
1534. By Mr. BRIGGS: Petition of New York Board of Trade and Transportation opposing passage of House joint resolution 124; to the Committee on Ways and Means.
1535. Also, petition of *Lusitania* claimants' committee, urging the preservation and safeguarding of American rights arising out of the *Lusitania* disaster and sinking of other ships destroyed by the German Government; to the Committee on Foreign Affairs.
1536. Also, petition of Montana Stock Growers' Association, urging continued operation and retention of joint stock land banks under the Federal farm loan system; to the Committee on Banking and Currency.
1537. Also, petition of Mr. S. F. Williams, recording secretary Machinist Lodge, No. 808, Palestine, Tex., urging hearings on House bill 5351; to the Committee on the Judiciary.
1538. By Mr. BURTNESS: Petition of J. W. Boening and 48 others of Fargo, N. Dak., and elsewhere, urging the recognition of the republic of Ireland; to the Committee on Foreign Affairs.
1539. By Mr. FULLER: Petition of R. O. Murphy and other post office employees of Rockford, Ill., favoring the Steenerson bill (H. R. 6573); to the Committee on the Post Office and Post Roads.
1540. Also, petition of congregation of the Methodist Episcopal Church, of Shirland, Ill., that the United States should take the initiative in calling a conference of the nations to consider disarmament; to the Committee on Foreign Affairs.
1541. Also, petition of the Southern Wholesale Grocers' Association recommending certain amendments to the interstate commerce act; to the Committee on Interstate and Foreign Commerce.
1542. Also, petition of Local Union, No. 314, Bakery and Confectionery Workers, International Union of America, of Rockford, Ill., opposing the Scott bill (H. R. 3716); to the Committee on the Merchant Marine and Fisheries.
1543. By Mr. KISSEL: Petition of 90 residents of the third New York congressional district, urging the recognition of the Irish republic; to the Committee on Foreign Affairs.
1544. Also, petition of 97 New York City residents, urging the passage of House joint resolution 18; to the Committee on the Judiciary.
1545. By Mr. MAPES: Petition of Mrs. Viola Youngs and 39 other citizens of Grand Rapids, Mich., asking relief for the Armenians; to the Committee on Foreign Affairs.
1546. By Mr. RAKER: Petition of Department of California, Auxiliary to United Spanish War Veterans, of San Francisco, Calif., urging support of House bill 4; to the Committee on Pensions.
1547. Also, petition of John Lee Davis and Edward Jeffery, of Roseville; Richard A. Ross, of Rocklin; J. C. Hoover, of Portola; and Charles M. Huggan, of Dunsuir, all in the State of California, indorsing House bill 7 and Senate bill 1252; to the Committee on Education.
1548. Also, petition of employees of the United States Indian School, Greenville, Calif., indorsing the Sterling-Lehlbach reclassification bill; to the Committee on Reform in the Civil Service.
1549. Also, petition of C. H. Woolley, vice president of the Sunset Magazine, of San Francisco, Calif., indorsing House bill 7074; to the Committee on the Post Office and Post Roads.
1550. Also, petition of S. Hazard Halsted, of Pasadena, Calif., indorsing the Sterling bill (S. 1253); to the Committee on Immigration and Naturalization.
1551. Also, petitions of C. F. Tucker and E. W. Lauer, of San Francisco; C. J. Head, of Jackson; F. A. Austin, of Alleghany; C. B. Newton, L. P. Perryman, F. W. Koerner, and Charles C. Chadwick, of Westwood; L. E. Day, of Dunsuir; J. I. Seavey, of McCloud; George W. Boast, G. R. Gibson, Myron E. Lackey, C. W. Clemons, C. A. Willey, and Harold E. Lackey, of Roseville; Lester G. Brownell, jr., of Sacramento; Robert H. Frosh, of Ione; J. B. Greenfield, of Auburn; and Bert Burtel, of Susanville; all in the State of California, indorsing House bill 7 and Senate bill 1252; to the Committee on Education.
1552. Also, petitions of John G. Lackey, A. R. Charter, J. H. Vaughn, R. S. Wheeler, B. W. Spanjer, and Charles W. Cox, of Roseville; Fred J. Davis and C. C. Watkins, of Westwood; W. S. Draper, of Columbia; Trevor Weston, of Plymouth; Walter H. Taylor and John Thomas, of Jackson; E. Franklin and John F. Lange, of Colfax; C. E. Glidden, of Sisson; George D. Templeton, of San Francisco; H. R. McDougall, of Alleghany; L. P. Berriman, of Auburn; W. W. Casserly, of Forest; and Jesse W. Carter, of Redding; all in the State of California, indorsing House bill 7 and Senate bill 1252; to the Committee on Education.
1553. By Mr. WILLIAMSON: Resolution of Black Hills Press Association, opposing any proposition for repeal of the zone system for payment of postage on second-class matter; to the Committee on the Post Office and Post Roads.
1554. By Mr. YATES: Petition of Joe McClernon, of Chatham, Ill., protesting against the Scott bill (H. R. 3716); to the Committee on the Merchant Marine and Fisheries.
1555. Also, petition of Rev. H. I. DeTurk, of Waverly, Ill., protesting against an increase in second-class mail rates at the present time; to the Committee on the Post Office and Post Roads.
1556. Also, petition of Charles S. Clark, of Chicago, Ill., protesting against an increase in second-class mail rates at the present time; to the Committee on the Post Office and Post Roads.
1557. Also, petition of Charles D. Clark, of Peoria, Ill., protesting against an increase in second-class mail rates at the present time; to the Committee on the Post Office and Post Roads.
1558. Also, petition of H. F. Schreiner, of Forrest, Ill., favoring reduction of armament by international agreement; to the Committee on Foreign Affairs.
1559. By Mr. YOUNG: Petition of Mrs. Agnes McLean and other citizens of Mandan, N. Dak., praying for the recognition of the Irish republic and condemning British atrocities in Ireland; to the Committee on Foreign Affairs.

## SENATE.

FRIDAY, June 24, 1921.

The Chaplain, Rev. J. J. Muir, D. D., offered the following prayer.

Our Father, we are the children of Thy providence and of Thy grace. We look unto Thee this morning for renewed confidence in Thy care. Help us in all the ways of life. May we feel that we are under a Father's eye, that He ministers unto us, and will supply every need out of the riches of His love toward us. We ask in Jesus Christ's name. Amen.

The reading clerk proceeded to read the Journal of the proceedings of the legislative day of Tuesday, June 21, 1921, when, on request of Mr. CURTIS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.